DEPARTMENT OF TRADE AND INDUSTRY

SAFEGUARD MEASURES CASE NAME:

APPLICATION OF PETROCHEMICALS INDUSTRY

PUBLIC VERSION

SGM CASE NO. : SG05-2020

DATE : 17 September 2021

REPORT ON THE PRELIMINARY AFFIRMATIVE FINDINGS ON THE APPLICATION FOR SAFEGUARD MEASURES ON HIGH-DENSITY POLYETHYLENE (HDPE)

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I. INTRODUCTION

This is a report on the preliminary determination conducted by the Department of Trade and Industry (DTI) under Section 7 of Republic Act (RA) 8800, the Safeguard Measures Act, on the petition for the application of safeguard measures filed by JG Summit Petrochemical Corporation (JGSPC). The subject product is High-Density Polyethylene (HDPE) which is classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Code 3901.20.00.

This report addresses the issue on whether the evidence submitted by the domestic industry, importers, exporters and other interested parties show that increased imports are the substantial cause of, or threaten to substantially cause serious injury to the local industry.

A. The Philippine Industry's Petition

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

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

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

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

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

[1] https://jgspetrochem.com/jg-summit-petrochemical-corporation/company-overview/
[2] https://jgspetrochem.com/choose-us/

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

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

A.2. 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 others[3].

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.

A.3. Importers and Exporters of HDPE

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

A.4. Others

DTI notified other interested parties (i.e. industry associations) regarding the application for safeguard measure investigation and requested them to submit their positions thereof. (Annex C).

[3] http://industry.gov.ph/industry/petrochemicals/

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."*

B.2 Preliminary Investigation in the Context of the Safeguard Measures Law

In making a preliminary determination, Section 7 of RA 8800 states that:

“Not later than thirty (30) days from receipt of the petition…the Secretary, shall on the basis of the evidence and submission of the interested parties, make a preliminary determination that increased imports of the product under consideration are a substantial cause of or threaten to substantially cause, serious injury to the domestic industry. In the process of conducting a preliminary determination, the Secretary shall notify the interested parties and shall require them to submit their answers within five (5) working days from the date of transmittal to the respondent or appropriate diplomatic representative of the country of exportation or origin of the imported product under consideration.”

Further, the law also states that:

“Upon a positive preliminary determination that increased importation of the product under consideration is a substantial cause of, or threatens to substantially cause, serious injury to the domestic industry, the Secretary shall, without delay, transmit its records to the Commission for immediate formal investigation.”

Rule 7.1 of the IRR essentially restates the law to wit:

“Not later than thirty (30) calendar days from receipt of the properly documented application xxx, the Secretary shall, on the basis of the petition, the answers of the respondents, and the respective supporting documents or information, make a preliminary determination that increased imports of the product under consideration are a substantial cause of, or threaten to substantially cause, serious injury to the domestic industry.”

II. THE EVIDENCE PRESENTED BY THE INDUSTRY

A. The Product Subject to the Petition

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

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

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

A.1 Domestic Product

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

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

Actual Size

Pellets

Granules

A.2. Product Specification

Physical Characteristics	Evalene® Grade Name	Melt Index (190°C/2.6kg, g/10 min)	Density (g/cm^3)	General Application	Characteristics
Translucent white pellets or in granules	HF09522	0.75/9	0.952	Films	Unimodal HDPE blown film grade; Good puncture resistance, high stiffness, and tensile strength, high molecular weight.
	HF14522	0.12/14	0.952		Unimodal HDPE blown film grade; Good puncture resistance, High stiffness, Medium molecular weight

	HJ04551	4	0.955	Injection Molding	Unimodal HDPE injection molding grade; Outstanding low-temperature impact strength, UV-stabilized
	HJ04601	4	0.96		Unimodal HDPE injection molding grade; Excellent impact strength, High stiffness, UV-stabilized
	HJ04602	4	0.96		Unimodal HDPE injection molding grade; Organoleptic-certified
	HJ08601	8	0.96		Unimodal HDPE injection molding grade; Good impact strength, UV-stabilized, Organoleptic-certified
	HJ20571	20	0.957		Unimodal HDPE injection molding grade; Excellent processability
	HB09521	0.075/9	0.952	Blow Molding	Unimodal HDPE blow molding grade; Outstanding Environmental Stress Crack Resistance (ESCR >1000 hrs). High stiffness, High molecular weight
	HB23551	0.27/23	0.955		Unimodal HDPE blow molding grade; Good ESCR, High stiffness
	HB33531	0.39/33	0.953		Unimodal HDPE blow molding grade; Good processability
	HP10441	0.08/10	0.944	Pipe	Unimodal HDPE pipe grade; High Oxidation-Induction Time (OIT), PE 80-certified
	HM10561	1	0.956	Mono-filament	Unimodal HDPE monofilament grade; Excellent tenacity, High stretchability

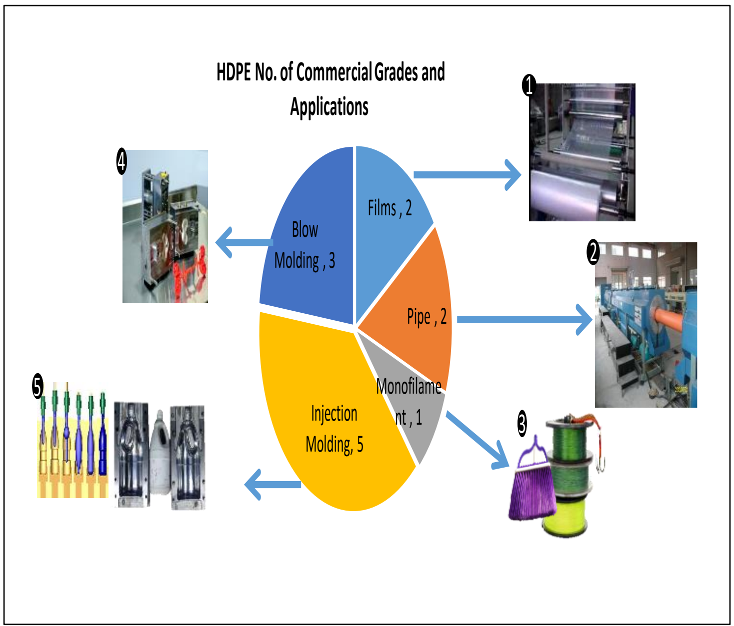
Source: Domestic Industry

A.3. Uses and Applications

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

Evalene® Grade Name	Typical Application
HF09522	Grocery bags, Supermarket produce bags, carrier bags, trash bags, sack liners
HF14522	Produce bags on a roll, supermarket produce bags, wet market bags, sando bags, laundry bags, carrier bags, trash bags, sack liners, flexible packaging
HJ04551	Pallets and crates for cold storage applications
HJ04601	Pallets, Dunnage trays, crates, Industrial parts
HJ04602	Beverage caps for mineral water, juice and tea drinks
HJ08601	Crates and cases, caps for still and mineral water
HJ20571	Housewares, caps, pails, toys

HB09521	Medium size extrusion blow molded containers (10-50 liters) for household and industrial chemicals (HIC) condiments and cooking oil.
HB23551	Rigid packaging, food beverage and condiment packaging, Bottles for personal care product, Bottles for household and industrial chemicals (HIC)
HB33531	Rigid packaging, food, beverage and condiment packaging, bottles for personal care products, Bottles for household and industrial chemicals (HIC)
HP10441	Pressure pipe applications (PE 80), pipes for building & construction, smooth wall and corrugated pipes for electrical conduits, telecommunications, irrigation and sewage
HM10561	Commercial and industrial ropes and nets (fishing net, agricultural net, mosquito nets), non- woven filament applications

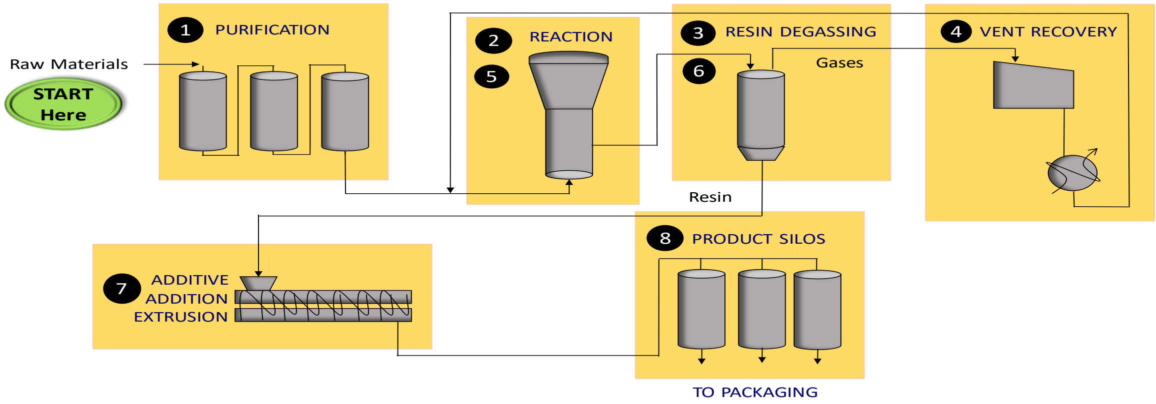


Source: Domestic Industry

A.4. Manufacturing Process

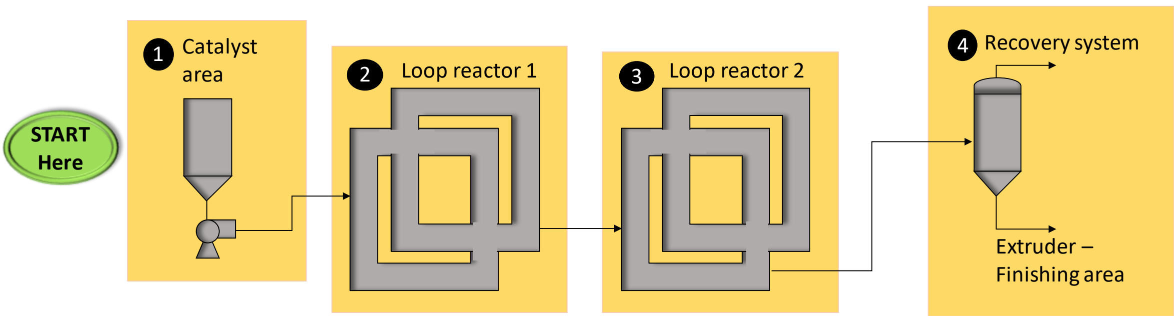
a) Univation UNIPOL™ PE Process Technology

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



Source: Domestic Industry

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



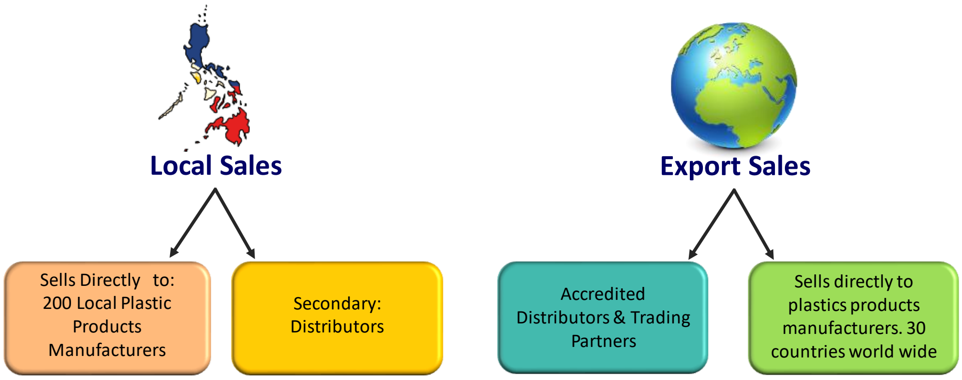
Source: Domestic Industry

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

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

A.5. Distribution Channel

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



Source: Domestic Industry

B. Imported Product

B.1 Physical Dimensions of Imported Products

Resin Type	Grade Name	Melt Index (190°C/2.6kg, g/10 min)	Density (g/cm³)
HDPE	TITANZEX HF7000	0.05/10	0.953
	EL-LENE™ H5604F	0.04/10	0.956
	SUMITOMO F0554	0.05/10	0.951
	MARLEX® TRB-115	0.06/10	0.950
	TITANEX HF1881	02/10 or 18/10	0.948
	DOW™ HDPE KT 10000 UE	8.0/10 or 22/10	0.964
	EL-LENE™ H355JA	7.5/10	0.964
	HD2408J	7.5/10	0.964
	HD2208J HD2308J	3.7/10 6/10	0.961 0962
	EL-LENE™ H568JA	0.8/10	0.956
	MARLEX® HHM 5502BN	---	0.955
	TITANZEX HB6200	0.45/10	0.956
	EL-LENE™ H6140B	0.30/10	0.962

Resin Type	Grade Name	Melt Index (190°C/2.6kg, g/10 min)	Density (g/cm³)
HDPE	SABIC® B5429	0.3/10	0.954
	TITANVENE™ HD5502GA	0.38/10	0.953
	EL-LENE™ H1000P	0.22/10	0.950
	HD8100M	0.25/10	0.952
	MARLEX® H525	9.0/10	0.948
	MARLEX® TRB-490	8.0/10	0.950
	SP 4808	0.06/10	0.949
	TITANZEX HM5000	0.8/10	0.951
	HD5000S	0.8/10	0.954
	8010 8012	1.0/10 1.1/10	0.958 0.957
	MF5000	0.95/10	0.954
	SEETEC SP380	0.6/10	0.955

Source: Domestic Industry

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

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

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

AHTN ASEAN Harmonized Tariff Nomenclature
MFN Most Favoured Nation
AANZFTA ASEAN-Australia/New Zealand Free Trade Agreement
ACFTA ASEAN-China Free Trade Agreement
AJCEPA ASEAN-Japan Comprehensive Economic Partnership Agreement
AKFTA ASEAN-Korea Free Trade Agreement
PJEPA Philippines-Japan Economic Partnership Agreement

C. Comparison between Imported and Domestic Product

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

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

D. Product Exclusions

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

HDPE products that are excluded are polyethylene wax, ethylene acrylic acid copolymer, polypropylene, LDPE, special wires and cables grades, rotational molding grades in powder form, polyethylene terephthalate or PET resin used for potable water bottles.

III. THE PROCESS OF PRELIMINARY INVESTIGATION

A. Acceptance of the Petition and Decision for Preliminary Investigation

In accepting the petition of the Philippine GL industry, the Secretary was guided by Rule 6.4a of the IRRs of RA 8800 which 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."

On 24 August 2020, the Secretary officially informed JGSPC that their application has been accepted as properly documented. On 28 August 2020, the Secretary issued a report on the initiation of the safeguard investigation.

A.1 Preliminary Investigation Proper

A.1.a Notice to Parties and Due Process

On 04 September 2020, Notice of Initiation was published at the Business Mirror and Manila Standard as provided under Rule 6.5a of the IRR which states that:

"Within two (2) calendar days after the Secretary makes the decision to initiate a preliminary investigation, the Secretary shall cause the publication of the notice of initiation of preliminary investigation in two (2) newspapers of general circulation. The date of publication shall be considered as day one (1) of the initiation of investigation."

From 04 to 09 September 2020, individual notices were sent to the domestic industry, the diplomatic or official representatives of the concerned governments of the identified exporting countries, importers, exporters and associations. The importers and exporters were requested to submit their responses to the questionnaires as well as evidence and information relevant to the said investigation within five (5) working days from receipt of notice as provided under Section 7 of RA 8800 and its IRR.

DTI experienced delays in the transmittal of the notification to interested parties because of the quarantine measures imposed to contain the pandemic. However, while the notices were delayed for reasons beyond DTI's control, respondents were not deprived of due process as they were granted extension of time to submit their views, comments, and the accomplished questionnaires which were all considered in the preliminary determination.

A.1.b. Submission of Evidence and Position Papers

As provided under Rule 6.5b of the IRR:

"The respondents are required to submit within five (5) working days from the receipt of such notice their responses or comment and other evidence and information to dispute all allegations contained in the petition. The notice shall be deemed to have been received five (5) working days from the date on which it was transmitted to the respondent or the appropriate diplomatic or official representative of the country of export or origin of the product under consideration. In cases where the number of known interested parties is so large that it is impractical to provide a non-confidential copy of the documents to each of them, a copy will be given to the government of the country of export or origin and/or to the representative organizations. These documents shall also be made available to other interested parties upon request."

A.1.c Importers Responses to the Questionnaire

The following are the identified importers that submitted responses to the Questionnaire:

1. Inca Philippines, Inc.

On 29 September 2020, DTI received Inca Philippines, Inc.'s comments. The following are their comments:

<table>
<tr><td>Product Imported</td><td>High Density Polyethylene Resin
(Polymers of Ethylene: 3901.10.92)
There are no available manufacturers of Rotational Molding Grade Polyethylene in powder form (500 microns particle size), with a melt index of 4 to 8 g/10mm. JGSPC does not produce powder polyethylene.</td></tr>
<tr><td>Inventories of Imported Product

Total Importation for the Last 5 Years</td><td><table><tr><td>2016 – xxx</td><td>2019 – xxx</td></tr><tr><td>2017 – xxx</td><td>2020 – xxx</td></tr><tr><td>2018 – xxx</td><td></td></tr></table>
1,663.0 MT USD 1,601,224.00</td></tr>
<tr><td>Injury</td><td>No injury to applicant JGSPC since it does not produce Rotational Molding Grade HDPE/LLDPE.
The product under investigation is only applicable to processes such as Injection Molding, Blow Molding, and Extrusion Molding. The latter processes need LLDPE or HDPE in pellet form which is not the manufacturing process being utilized by Inca.</td></tr>
</table>

Others/General Comments	• Inca is a 32-year old manufacturer of plastic products and has been importing Rotational Molding Grade Polyethylene in Powder Form for use in its rotational molding factory to produce large hollow plastic tanks, septic tanks, drums and various waste bins. • JGSPC up to now is unable to manufacture and supply Inca with the grade and powder form of resin that it needs to its manufacturing process. • Inca's annual requirement for said rotational molding grade resin is very small, i.e., 239 MT per annum or 20 MT per month for the past 10 years. That may be the reason why JGSPC is not motivated or inclined to pursue the development, manufacture and supply of rotational molding grade resin. • Inca as a resin importer pose no threat at all or injury to JGSPC and should safeguard measures be imposed in the form of additional tariffs to protect JGSPC, rotomolding grade resin should be excluded from the list and Inca should be able to continue to import without additional tariffs. • Inca should not be included as one of those importers that caused injury to JGSPC since the latter is not producing the plastic grade of PE resin that Inca needs in its Rotational Molding Process. Should in the near future JGSPC will be able to provide Rotational Molding Grade Resin, Inca is very much willing to buy or use said resin grade since we do not have to stock substantial amount of inventory if locally available.

2. Prima Plastic Manufacturing Corporation

On 06 October 2020, DTI received Prima Plastic Manufacturing Corporation's comments. The following are their comments:

Product Imported	• Bimodal HDPE resins C6 and C8 metallocene LLDPE Bimodal C4 resins C4 resins
Tariff Classification	• LDPE AHTN Code: 3901.40 LLDPE/C4 AHTN Code: 3901.10.92/3901.40.00 HDPE AHTN Code: 3901.20.00 C6 and C8 Metallocene AHTN Code: 3901.40.00 C4 LLDPE
Source Countries	• Imported Products are sourced from the USA, Malaysia, Thailand, Saudi Arabia and United Arab Emirates • Local LLDPE products have only C4 performance compared to the imported ones which have C6-C8. C4 products do not have the

Difference between Imported and Local Products	required seal strength, seal through contamination properties and hot tack properties, which are the properties needed in flexible packaging. Although JG Summit has one C6 grade material, its application is limited and are only Unimodal material. • As to HDPE, local grades are only Unimodal material which when compared to imported Bimodal materials, cannot match up to downgauging of film. Film toughness and strength is poor in Unimodal materials.
Philippine Market/Injury Other Factors that may have Caused Serious Injury	• The imposition of safeguard tariff will cause irreparable damage to the downstream industry and drive the market to imports not only on packaging materials, but in the form of finished products. • Local industry stands to close down and will increase the number of unemployment. • Over the years, JG Summit has proven to be a non-reliable supplier in terms of delivery and competitive pricing. • JG Summit machines have also aged considerably and they do not have the grades that meet the quality and performance requirements of the end-users, such as seal through contamination, hot tack and film strength capable of down gauging. • Prima Plastic supports PPIA's position paper submitted, including any supplemental industry position that is against the imposition of safeguard duty (that will benefit only a single midstream industry player at the expense of the entire downstream industry). • JG Summit's capacity was designed 30 years ago, and this is less than half of the current demand. • JG Summit cannot claim serious injury, as the problem is of their own making. They want to sell high locally and sell low to export market. On the other hand, Prima Plastic's thrust is to buy local, buy Filipino. • Based on import data submitted by JG Summit, the reason for the import surge in 2018 and 2019, is that they cannot supply as evidenced by the complaint filed with BOI by PPIA last January 2018. If JG Summit can only supply the local market, then no one will import. • Prima Plastic usually source and prioritize what is locally available, but unfortunately JG Summit does not make C6 and C8 material which is in high demand in today's packaging. JG Summit also does not make Bimodal HDPE material. • Thus, the application for Safeguard Duty of P15,000 per MT or USD 300 per MT for a period of 10 years, is without basis and highly unreasonable. If granted will only cause serious distortion between raw materials and the finished products and will generate more importation of finished goods. The government should not protect one industry at the expense of another.

	• Serious injury may be caused by its aging equipment which are almost 25 years old. Its machines are outdated and can only produce ordinary LLDPE and HDPE. It is only now that JG Summit is catching up. JG Summit likewise experience frequent unscheduled shutdown. • Based on the data submitted by JG Summit, 2017 shows very little import volume, the reason is that the downstream industries are buying heavily from JG Summit to a point that it can no longer supply. This forced the downstream industries to supplement their inventories through importation. From then on, JG Summit has been selling higher compared to the imported ones which lessened the domestic order volume and reduced JG Summit's backlog.
Others/General Comments	• The claim of JG Summit of serious injury was baseless and is more on greed and intends to capture the local market at the expense of the downstream industry. • The domestic downstream industry has always supported JG Summit by buying local. However, in 2017 when prices of the C2 and C3 surged, JG Summit opted to sell their raw materials, leaving the local industry in a panic and having nothing to produce. Some companies have to shut down operations because of material shortage due to non-delivery by JG Summit. • PPIA even filed a complaint with BOI, however after the meeting arranged by BOI, JG Summit decided to raise their selling price by about P3.00 per Kilogram. JG Summit did that to discourage the downstream industry from buying in order to lessen their delivery backlog and this situation has not improved until today. • JG Summit can compete against foreign suppliers. However, it opted to sell high locally, forcing the downstream local industries to import instead. • JG Summit is producing HDPE, LLDPE and PP resins. However, it is only requesting safeguard duty for HDPE and LLDPE, when in fact all the resins are priced higher locally and PP is among the resins that are imported together with HDPE and LLDPE. - The reason for this is that JG Summit manufactures BOPP film and if PP is included in the safeguard duty this would put them out of business, will create a tariff distortion, and force local converter to import finished goods from ASEAN region. - The second reason is that there is another local Petrochem Petron which probably did not like the idea of safeguard duty. - The third reason is that JG Summit materials are outdated. It does not have C6 and C8 to cope up with the market demand. Further their HDPE is only Unimodal where the market demands for Bimodal materials. • JG Summit manufacturing equipment have aged already and are probably poorly maintained, thus becoming very unreliable resulting to frequent shutdown causing material shortage. One way to support supply is to import and doing importation requires a long term

	relationship with the supplier. One has to have a monthly purchase quantity to establish a supplier relationship. • The complaint filed by JG Summit is without basis and will only retard the growth and development of the downstream industry and the country. Their claim is out of selfish interest and aimed at earning huge profit at the expense of the downstream industry and thereby destroying the country's economy. Thus, the complaint should be dismissed as the continuation of this complain is just a waste of time and money.

3. Astrobag Manufacturing Corporation

On 23 September 2020, Astrobag Manufacturing Corporation submitted its comments. Astrobag stated that they will be adopting the position of the Philippine Plastics Industry Association, Inc. (PPIA), pursuant to their Position Paper dated September 14, 2020 and submitted on September 15, 2020.

The Position Paper consists of seven (7) pages and strongly points out the reasons that shows why Astrobag strongly opposes the safeguard Duty of Php15,000.00 or USD300.00 per ton stated in the application.

4. Apollo Bag Industrial Corporation

On 24 September 2020, Apollo Bag Industrial Corporation submitted its comments. Apollo Bag stated that they will be adopting the position of the Philippine Plastics Industry Association, Inc. (PPIA), pursuant to their Position Paper dated September 14, 2020 and submitted on September 15, 2020.

The Position Paper consists of seven (7) pages and strongly points out the reasons that shows why Apollo Bag strongly opposes the safeguard Duty of Php15,000.00 or USD300.00 per ton stated in the application or any amount sought for the importation of HDPE and LLDPE resins.

5. PhilPlastic and Polymers, Inc.

On 29 September 2020, PhilPlastic and Polymers, Inc. submitted its comments stating that they will be adopting the position of the Philippine Plastics Industry Association, Inc. (PPIA), pursuant to their Position Paper dated September 14, 2020 and submitted on September 15, 2020.

6. Cornerstone International Philippines

On 25 September 2020, DTI received Cornerstone International Philippines' comments. The following are their comments:

Product Imported	• Innoplus HDPE 7000 F and HDPE 6000 F • Titanzex HDPE and HDPE 5604 F Film • (HS Code 3901 2000) • They are raw materials and used to make thin films to manufacture plastic bags for wet markets. • The technology used by imported products is the bi-model technology which is far superior than the one manufactured by JGSPC. The imported products are more durable, elastic and easier to process.
Inventories of Imported Product Total Importation for the Last 5 Years	• 2018 – *xxx* Thailand 2019 – *xxx* Thailand • 362 MT
Philippine Market/Injury	• Local manufacturer such as JGSPC has been a consistently unreliable supplier, with lack stocks delayed deliveries and their plants always shut down. Additionally, the imported products are of a superior quality and more cost efficient. • If the criteria cited in 4.1 is right then we would have a problem in sourcing more JG Summit Petrochemicals. • Serious injury claimed by the applicant may be due to the following: - Technology - Unipol technology is of lesser quality compared to the technology used by the manufacturers of imported products which is bi-model technology. - Supply and delivery reliability of the applicant is low and delayed delivery negatively impacts Cornerstone's production/business. - The price – Imported products are competitively priced and more cost efficient.
Others/General Comments	• Cornerstone does not sell imported resins and only imports these raw materials to manufacture plastic bags. • If the price of ethylene is high, JGSPC would sell their ethylene (which is the raw material used to make resin), to other manufacturing plants which further decreases the supply of resins for their buyers like us.

	• Cornerstone has been in the business longer than JGSPC and based on experience, JGSPC has always been a very unreliable supplier. This gave Cornerstone no choice but to source raw materials from other countries in order to keep its business operations.

7. Cebu Sentra Plastic Corporation

On 29 September 2020, DTI received Cebu Sentra Plastic Corporation's comments. The following are their comments:

Product Imported Tariff Classification Source Countries Difference between Imported and Local Products Inventory	• HDPE HHM 5502 (for blow moulding) • HS Code 3901 2000 000 • Singapore and Qatar • Price – Local product is more expensive than its ASEAN counterpart. • Some local machines cannot produce good results of Evalene • Local producers cannot supply the local demand. • Normal Inventory – *xxx*
Philippine Market Serious Injury	• Each year is always a challenging year. There would be a variation in the demand of goods, depending on the usage. There's an increase in demand for hygiene products as well as condiments. Thus, there would be changes in the prices and local producers cannot match the prices of imported products and on top of that, local deliveries are very slow. • There is no serious injury to talk about. Local manufacturers should be efficient in pricing their products, in quality and in their deliveries. They are manufacturing a very high commodity product and they export their products way below the local prices.
Others/General Comments	• The resins for blow moulding are such a commodity that almost all countries with petrochemical plants provide them basically for packaging. The bottom line in buying, producing, and selling is really price and quality. Philippines is such a price conscious market that the manufacturer offering the best price, quality and efficient delivery usually gets the business. • If DTI will protect HDPE (used for blow moulding and packaging), there would be imbalance in supply and others would resort to changing their packaging. • Government should not regulate the market and instead let the market conditions prevail.

8. Crown Asia Chemicals Corporation

On 29 September 2020, DTI received Crown Asia Chemicals Corporation's comments and stated that the company is ordering High Density Polyethylene Pipe Grade certified as PE 100 from Thailand intended for high temperature and high-pressure pipes which currently are not available at JG Summit Petrochemical Corporation.

On the other hand, Crown Asia is ordering from JG Summit, Evalene HP10441, a High Density Polyethylene Pipe Grade certified as PE80

9. Philippine Spring Water Resources Inc.

On 30 September 2020, DTI received Philippine Spring Water Resources Inc.'s (PSWRI) comments. The following are their comments:

Product Imported	• HDPE • LLDPE
Source Countries	• ASEAN-Member countries
Difference between Imported and Local Products	• The available locally-produced resin is not sufficient to meet the demand of PSWRI. • The quality of the locally-produced resin cannot meet the standard to produce the closure caps being manufactured by PSWRI for its business of processing, bottling, selling and distribution of mineral water.
Others/General Comments	• PSWRI has been importing resin directly from abroad (ASEAN-Member countries) for the manufacture of its own closure caps. PSWRI is not selling resin sourced from abroad. • The unit price of the imported resin is higher than the market price of the locally-produced resin. • PSWRI previously bought locally-produced resin from Petitioner JG Summit, however, the same does not match the standard grade or cannot meet the standard requirement of the machines producing closure caps. Both the actual product result of the closure caps using the locally-produced resin from JG Summit, and the confirmatory tests made by PSWRI showed bottle leakage attributable either to poor quality of the subject locally-produced resin or the same is incompatible with or cannot meet the standard requirement of the machines used by PSWRI in producing closure caps. • The significant reason and essential consideration of PSWRI in importing resin for the manufacture of its closure caps, is quality.

	It will eventually redound to customer satisfaction and led to followership, aside from the quality of its drinking water. All other competitors of PSWRI such as Wilkins, Summit, and Absolute are also sourcing out resin from abroad due to quality. • PSWRI is not aware or even privy of any record of the alleged sudden surge or influx of imported resin of any or all types, for the last five (5) years, which is similar to or in likeness to the locally-produced resin. • It is submitted that the spirit behind RA 8800, is to level the playing field between the importer of like or similar product and the locally-produced product with the end in view of protecting the interest and plight of the local producers of like or similar product by imposing a safeguard duty within a limited period of time until the condition sought to be protected is achieved. • With all due respect, the essential elements which would warrant the application of RA 8800 is wanting or not present in the present Petition. • Thus, it is respectfully prayed that the Petition of JG Summit for the imposition of remedies under RA 8800 be denied specifically with respect to PSWRI, considering that it is importing resin for its own consumption and not for sale.

10. Manly Plastics, Inc.

On 30 September 2020, DTI received Manly Plastics, Inc.'s comments. The following are their comments:

Product Imported Tariff Classification Source Countries Difference between Imported and Local Products	• HDPE Resin Titanvene • 390 12000 AFTA 0% • Thailand and Indonesia • The local product is not approved by the end-user of Manly Plastics. • The product required by Manly Plastics is not locally available.
Philippine Market	• HDPE demand is increasing due to industrialization and a larger consumption base. There are a few swings in market demand and the country is expected to continue to grow in demand for industrial plastic products in all ranges. • Manly Plastics does not know the inner workings of the Petitioner company, but it buys materials from JGSPC when it can. The instances that it was unable to, is due to the specific requirements of Manly Plastics' clients, which JGSPC was not able to fulfil.

Others/General Comments	• The safeguard duty of USD 300 on HDPE and LLDPE resins that JGSPC is seeking will decimate the local industries by making the Philippines' industrial capability less competitive. It will cause downstream effects that will negatively affect the fisheries, agriculture, food, electronics, and medical industries in the Philippines. It will make the country more dependent on foreign importation of finished goods and will put the country at risk in terms of job loss, long term industrial capability and national health and safety. • Death of Local Converters **–** Large scale manufacturing for multi-nationals involve processes that breakdown operational costs, materials, delivery, labor and other inputs. In the plastics industry, materials and electricity comprise around 60 to 70% of the cost of the final product. The Philippines is already at a disadvantage with the high cost of electricity in the region, adding a 35% tariff on material will spell the death of industrial operations. There will be very little reason for companies to stay and manufacture in the country if a big part of the business model to operate in the country has a debilitating structure built in. (An example is the Johnson and Johnson which decided to shut down their local manufacturing facilities and moved to Thailand citing operational costs being too high). • Adding a tariff on HDPE will accelerate the departure of local manufacturing operations and make the Philippine companies drastically uncompetitive in winning supply contracts. Big companies that employ thousands will definitely downsize operations if not completely close. Local companies may have more reasons to merely import finished products and not develop local technical operational knowledge, provide more jobs and generate more value for the local economy. We will essentially be trading dozens of companies and thousands of jobs for the profitability of 1 division of a multi-billion peso conglomerate. • Tariffs will make downstream operations more expensive – HDPE is integral for safe logistics and operations and is the prime input in crates, bins, and pallets. A 30% increase in material cost due to tariff will translate to roughly a 15% increase in the final product. • Material handling products have a wide use on multiple industries, several of which critically rely on the products being made by local manufacturers such as Manly Plastics with no suitable substitute. • Fisheries, piggeries, and chicken houses which by safety standards need to use a material that will not rust, will now have a higher cost structure. The tariff will pit food, medical and care industries a terrible choice of making operation less safe, or more expensive. At least there will be an 8% estimated increase in the cost for 60% of household products. The integral parts of the economy and the citizens will bear the additional cost, all for the sake of protecting one (1) division of a company. • Endangering National Health, Safety and Development **–** Converters of HDPE are integrated in a larger web of industry that

	includes laboratories to develop finished goods, manufacturers of companion products, and fillers and assemblers to make the final product. This network of companion industries will disappear if a key component becomes untenable to do in the region and will not only put people out of jobs, but also put the safety and health of the nation in jeopardy. • Medicine and vitamins, nutrition, household and industrial sanitation, safely packed food and water products, are industries entwined with HDPE and LLDPE, all of which are key in national health and safety, just to be shut down and put in high supply chain risk. The proposed tariff is not merely about pricing and moving jobs away from the country (which is bad enough in itself), but increasing the country's dependence on foreign nations for survival and independence. • A Better Solution – Manly Plastics buys HDPE from JGSPC. In fact, from 2018 to 2019 at least 50% of its HDPE requirements were served by JGSPC. However, it is also Manly Plastics' experience that JGSPC does not have all the HDPE varieties that its customers require for their applications, nor do they have industrial scale to manufacture at capacities that could rival the larger international players in pricing and manufacturing capacity. A better solution might be economic incentives in capital expenditures for JGSPC to increase scale and diversify their industrial processing capabilities, in order to deliver a more responsive products to keep local industries competitive. • A reactionary, one-sided myopic protection like the tariff being presented, will damage more parts of the economy. Manly Plastics will always be supportive of a robust and healthy local chemical processing industry, but not in this manner. The tariff is clearly weighed to the benefit of one company than the general public interest and thus, should not be entertained.

11. Filpet Inc.

On 30 September 2020, DTI received Filpet Inc.'s comments. The following are their comments:

Product Imported	• HDPE Resin H555J Injection
Tariff Classification	• 39012000 AFTA 0% 10% for Non-AFTA
Source Countries	• Thailand (SCG Performance Chemicals Co. Ltd.) The product required by Filpet is not locally available.
Difference between Imported and Local Products	• JGSPC is roughly market rate, except that it just did not have the specific material that Filpet is looking for in the applications that it needs. JGSPC's problem does not stem from foreign products coming in, but their being not responsive to what the market needs.

Philippine Market/ Profitability	• Brands have the option of manufacturing locally, importing some parts of the product and assembling locally or importing a finished good altogether. For packaging, HDPE is typically used as bottles and closures. • Caps and closures are fairly easy to import as a substitute. Typically, however, there would only be one company making both bottle and cap to make sure that specifications are met and leaking will not be a problem. Bottles on the other hand are expensive to import, sometimes adding 100% of the bottle cost on shipping alone. If a tax on HDPE is set, both businesses will become untenable in the local market and it will now become easy to import finished goods. This will not just destroy the local converter market but also tollers, assemblers, decorators and manufacturers. • From Filpet's experience, the loss of one product line operation roughly translates to P300 Million per year in total bottle sales in the plastics converter industry. This aggregates to all suppliers or products. Further to that, are around P700 Million in total revenue for tollers, decorators, assemblers and all downstream operations. All this value, totaling P1 Billion per product line per year will now only go out of the country.
Others/General Comments	• The proposed duty on HDPE and LLDPE sought by JGSPC will create an unnecessary inflation; make the country less competitive in manufacturing of consumer goods; shut down plastic converter factories; adversely affect downstream operations of consumer goods manufacturing; and weaken the country. • Make Daily Life Worse – HDPE is utilized as closures for PET bottles. Some companies, like alcohol and medical products, even use it as the main packaging material. Filpet calculates that a 30% increase in direct material cost will translate to a 15% to 25% increase in total packaging cost for the end user. This cost in all likelihood will get passed on to the consumers. Packaging costs constitute around 30 to 40% of the total product cost so you can viably expect consumer goods to rise by 5 to 8% across a large portion of consumer goods. 5% to 8% increase on daily parts of Filipino life – Water, Soy Sauce, Vinegar, Shampoo, Hand Soap, Alcohol – are highly political, destabilizing products, if the government lets inflation on these key items increase 100% of the national average. This duty proposed is dangerous economically, socially and politically. It will make life worse for an insurmountable number of Filipinos, in exchange for the benefit of one company. • Annihilate Local Manufacturing – Filpet was witness to and a collateral damage to Johnson and Johnson shutting down its Philippine operations in lieu of a Thai factory. Their main reason back in 2018 was, all facets of their operating expenses in the country were far too high. Manufacturing business models typically have 60% to 70% of their operating costs tied to electricity materials and machine productivity. The fight is won

	with productivity and far more important, cheaper inputs. The Philippines already has the highest electricity cost in our region. This has driven away FMCG, Automotive, Appliance and Textile operations. Burdening local manufacturers with a large tariff will be the death of local manufacturing. No smart business will decide to operate on a country where 70% of the battle will already be at a disadvantage to others in the region. No new technology, know how, services, CapEx or jobs will come into the country and what we have right now may eventually leave. • The proposed duty will bring us further into the path of a slow whimpering death of the Philippine Industry. Companion industrial operations like Labelling and Decorating, Assembly and Laboratories will die if main manufacturers and fillers will eventually leave. Industrial jobs will die and we will not have anything to replace the value that we will be giving away. • An Inability to Determine Ourselves **–** The Philippines is a dramatic net importer of industrial technology and ability. Anything that can be built to serve large populations, whether water, personal care, sanitation and medicine, local companies import and run here. What the proposed duty will do is give a disincentive for building local abilities and instead rely on foreign importation of finished goods. That process is already being done on majority of products, such as personal care, hygiene, even necessities for health like cleaning alcohol and soap. The duty will move us further into a country only capable of buying foreign products subject to supply chain disruption and praying that trade routes will not get affected by typhoons; political trade relations; and a fluctuating local currency to come in fast enough to save our people. • There is value in having the necessities done by the Filipinos themselves locally. Alcohol, Soap, Bottled Water, Medicine, and Nutritional Supplements done locally are more suited to help and respond when the country needs it. The proposed duty pushes us towards the death of that thought. The benefit is not worth the instability. • Incentives to do Better Over Protecting the Inept **–** Filpet is actively rooting for a healthy chemical processing industry in the country. A protective duty will not encourage companies to innovate, expand or become healthy on their own. If JGSPC wants a fighting chance, then a better option maybe to give incentives to the company to compete at an international stage. Scale operations to answer their business problems instead of pulling other companies down and the Philippine industry alongside it.

12. Shrinkpack Philippines Corporation

On 02 October 2020, DTI received Shrinkpack Philippines Corporation's comments. The following are their comments:

Product Imported	• HDPE (2 manufacturers and 2 grades) • LLDPE C4 (6 manufacturers and 11 grades) • LLDPE C6 (5 manufacturers and 8 grades) • LLDPE C8 (1 manufacturer and 1 grade) • mLLDPE (2 manufacturers and 3 grades)
Tariff Classification	• 3901.20.00, 3901.10.92, and 3901.40.00 • The products being imported are a variety of C4 Butene, C6 Hexene, C8 Octene grade Linear low-density polyethylene and high-density polyethylene for blown film process application. Grades vary by density, melt flow index, mechanical and optical properties, processability, chemical and heat resistance, barrier properties, and applications.
Source Countries	• Malaysia, Thailand, Singapore, Saudi Arabia, United States, Qatar and Canada.
Difference between Imported and Local Products	• The manufactured products of the domestic industry Evalene LF08262 and LF08263 differ in density and melt flow index from the imported products in the same grade category of C6. • This only allows limited applications of the domestic product to the manufacturing of the products. JGSPC's LF10181, LF 10182, LF 20184, LF20185, 20186 are all C4 Butene LLDPE and thus, differ from the C6 grade Shrinkpack procure. • The C4 products are not able to substitute for the C6 products of the domestic market as these would produce different mechanical and optical properties such as the toughness and stiffness required of the final product. • Likewise, the difference of MFI and density would also affect the properties of the final product. Other factors include processability, and compatibility of the product with machinery and other additives and grades. JGSPC does not produce Metallocene LLDPE (mLLDPE) products. The catalyst metallocene are the new generation linear low-density polyethylene. Lastly, JGSPC does not offer or produce a domestic product of C8 Hexene grade LLDPE. Both mLLDPE and C8 LLDPE procured by Shrinkpack are under the AHTN codes affected.
Philippine Market	• Shrinkpack expects the demand for both the imported and domestic polyethylene to slowdown or stagnate until 2021-2022 due to the coronavirus pandemic. The GDP of Q2 dipped to -16.5% and a consumer consumption record of -15.5%. The economic impact of the lockdown is expected to bounce back 2021 and recover to pre-Covid19 levels in 2022.

Others/General Comments	• JGSPC does not produce similar or equivalent versions of certain LLDPE grades that meet the performance requirement of our customers as listed in section 2.3 of the questionnaire. Some examples of this would be the grades which are C6 grade. JGSPC only produces 2 grades of C6 grade material (Evalene LF08262 and LF08263) with density, melt flow index, mechanical and optical properties, and processability that heavily differ from the grades produced by other manufacturers. These factors allow limited application of JGSPC C6 grade into Shrinkpack's product line. • Furthermore, JGSPC does not produce Octene grade C8 LLDPE and metallocene LLDPE as their product line is limited, as of now to C4 and C6 grade LLDPE. Grades such as this are affected by the safeguards measure as both products will fall under the AHTN Code 3901.40.00 despite it being non-competing with JGSPC current offerings. • Shrinkpack believes that safeguard measures to benefit a single midstream company at the expense of the downstream industry would cripple the plastic manufacturing and converting companies in the Philippines. The safeguard tariff would make Shrinkpack and other converting companies uncompetitive against ASEAN and global manufacturers. • Shrinkpack's major clients conduct global and regional biddings. Some of these companies are tax exempt and receive tax holidays due to their nature as exporters. The safeguard measures would render Shrinkpack uncompetitive and would drive these international brand owners to purchase packaging materials and possibly eventually their finished products from countries like Malaysia and Vietnam on zero import duties. This would severely impact the packaging industry and would ripple into the downstream local finished goods manufacturing plants. This will put at risk the 400+ direct and indirect Shrinkpack employees and their families and possibly affect thousands of Filipino jobs. Shrinkpack highly protests the implementation of safeguard measures on the importation of high-density polyethylene and linear low-density polyethylene.

13. **Premier Creative Packaging, Inc.**

On 02 October 2020, DTI received Premier Creative Packaging, Inc.'s comments. The following are their comments:

Product Imported	• Marlex HDPE Resin HHM 5502
Tariff Classification	• 3901.20.00 10 % MFN
Source Countries	• Singapore

Difference between Imported and Local Products	• The imported products are of higher quality and are preferred by pharmaceutical companies and other manufacturers of fast-moving consumer goods (FMCGs) which are critical about quality. The imported products passed the stability and leachability tests conducted by these companies. The HDPE material manufactured by the domestic industry (JG Summit) can only be used for products where there are no stringent quality requirements. Furthermore, imported products are available year-round, while the domestic products are oftentimes not available for manufacturers like Premier Creative Packaging because their volume has already been allocated to resin traders.
Inventories	2015 *xxx* 2016 *xxx* 2017 *xxx* 2018 *xxx* 2019 *xxx*
Philippine Market/ Serious Injury	• The Philippine market for HDPE materials (extrusion-blow grade, which Premier Creative Packaging is using), is too vast. This is because the subject material/grade is being used to produce plastic packaging for fast-moving consumer goods (FMCGs), such as medicines, alcohol and disinfectants, personal care (such as shampoo, hand soap, etc.), household care (dishwashing liquid, fabric conditioner, etc.), agricultural chemicals and fertilizers (pesticides, herbicides, etc.), and food products (kitchen ingredients, milk, yogurt, juices, etc.). The demand for the subject material is too big that the domestic industry (which only has one player in JG Summit), cannot cope with the Philippine market's ever growing requirement in terms of quantity and quality. • In terms of quantity, JG Summit's supply of the subject material is not dependable owing to its lack of capacity and because of its frequent maintenance downtimes. The supply of the subject material is also being channeled to big traders and is not being made available to small plastic manufacturers like us. • In terms of quality, JG Summit's product (Evalene HB33531) is not consistent and causes various quality issues, such that it can only be selectively used for products where there are no stringent quality requirements. • To protect the local industry of plastic packaging production and manufacturing of essential goods and other FMCGs, importation of HDPE material (extrusion-blow grade) is very important as it ensures steady supply and stability of prices of consumer goods that affect inflation. • Going by the records that are publicly available, such as the Financial Statements submitted to SEC, JG Summit has not posted any loss during the period of investigation. Being part of a vertically integrated conglomerate, with a robust revenue stream and enviable profit margins, its claim of serious injury is too far-fetched.

	• Assuming, without admitting, that the domestic industry (or JG Summit) is being seriously injured or is suffering losses, such injury or losses cannot be solely attributed to the increased importation (which as mentioned above was a natural consequence of increased demand for FMCGs). By Petitioner's own admission, the supposed losses are mainly due to the volatility of prices and supply of imported naphtha, increased manufacturing overhead costs and issues and challenges other than increased importation of similar products. The same issues and challenges are being faced by the other resin manufacturers outside of the country who survived and thrived in the same industry without a need for duty interventions from their government (which will only distort a free market economy).
Others/General Comments	• The supposed increase in importation is mainly due to the increase in demand for fast-moving consumer goods, which in turn is attributable to the increased spending power of the growing population of the country. It is unfortunate that most of these fast-moving consumer goods are now being manufactured outside of the country, the importation of which has likewise increased by leaps and bounds, depriving Filipinos of needed jobs and the government of fiscal revenues from income taxes. • The following multinational companies used to be Premier Creative Packaging's major customer but they opted to have their products manufactured outside the country because manufacturing costs (electricity, labor, raw material, et.) here in the Philippines are not competitive: Procter and Gamble, Colgate-Palmolive, Johnson & Johnson, Bristol Myers Squibb, SanofiSynthelabo, and recently GlaxoSmithKline. Local manufacturers are not left with the same option and are constrained to absorb all the costs that are thrown at them. An additional duty on the main packaging material will surely be an additional cost burden that will be passed on to these companies which needless to say, are heavily affected by the ill-effects of the current pandemic.

14. J-Film Philippines, Inc.

On 05 October 2020, DTI received J-Film Philippines, Inc.'s comments. J-Film Philippines stated the following:

Product Imported	• HDPE Resin
Tariff Classification	• 390 12000 000
Source Countries	• Saudi Arabia and Thailand

Difference between Imported and Local Products	• J-Film Philippines uses Japanese standard raw materials that conform to the Food Sanitation Law and ultra-thin film exclusive grade.
Philippine Market	• J-Film Philippines does not sell locally, and does not know about the Philippine market on the subject product and the domestic demand.
Others/General Comments	• J-Film Philippines manufactures the raw materials supplied by its parent company and exclusively sells to J-Film Corporation (parent company) in Japan and to Mitsubishi Corporation Plastics Ltd., Japan.

15. Plastic Container Packaging Corporation

On 05 October 2020, DTI received Plastic Container Packaging Corporation's comments. The following are their comments:

Product Imported Tariff Classification Source Countries Difference between Imported and Local Products Inventory	• HDPE Resin for Rigid Packaging • 3901.20.00 Zero Tariff Duty (Polymers of Ethylene in Primary Form) 3902.30.90 Zero Tariff Duty (Polymers of Propylene in Primary Form) • Singapore and Malaysia • Imported product is more efficient for PCPC's equipment. • Imported product easily passes the customer quality standards.
Philippine Market Serious Injury	• The domestic rigid plastic packaging market is very small relative to our ASEAN neighbors. In fact, Philippines is one of the smallest in terms of plastic consumption. The local market is very sensitive to supply and price disruptions. It is very sensitive to fluctuations is the supply reliability, price, power and labor. • The claim of the applicant with regard to serious injury is mainly because of their problem in supply. Local manufacturers are forced to import to become a reliable supplier to their customers. The sudden lack of supply from JF Petrochem severely affects the operations and supply of PCPC's customers. For the past years, there have been several instances of this occurrence in the market. • One of the factors that causes injury is the world prices and the supply of Naphtha. Another is the exchange rate and the reliability of JGSPC's manufacturing supply.

16. TAT Recyclables & Renewables Corporation

On 05 October 2020, DTI received TAT Recyclables & Renewables Corporation's comments. The company is an industrial plastic scrap recycler. Scraps such as trimmings, plastic production rejects, cut outs, etc., are the raw materials. Such raw materials are collected from local plastic manufacturing companies (not imported and not from garbage – not post-consumer scraps), when local plastic manufacturing output is weak, so is TAT's business. It thrives when the local manufacturing sector is strong. TAT further commented that:

- For the past ten (10) years, local plastic manufacturing volume has been in the decline due to the following reasons: A. Zero Tariffs on Plastic Finished Products such as: 1) Plastic Packaging Products; 2) Flexibles; 3) Housewares; 4) Construction; 5) LLDPE Banana Covering Films; and 6) Plastic Woven Sacks; B. High Local Production and Logistics Cost – 1) Our electricity is more expensive compared to ASEAN manufacturing hubs like Malaysia, Thailand and Vietnam; 2) Higher nationwide transport cost. Shipping a 20-foort FCL from Manila to Davao or Manila to Cebu is more expensive than Malaysia port to any port in the Philippines, or Thailand port to any port in the Philippines and China port to any port in the Philippines; and C. Negative Information About Plastics such as: negative environmental and health benefits of plastics which leads to nationwide banning, though a lot of these information were never verified through scientific research, but just a show of budgetary prowess.

- Imposition of a safeguard measure for the raw materials of the plastic manufacturing industry will create more tariff imbalance making manufacturing locally more expensive and sending more manufacturing overseas including the downsizing of local supporting industry like TAT – engaging in recycling, machine shops, utilities, and etc. Further, making the Philippines a mere consumer country, that has minimal manufacturing capability is disastrous for the country's future. Raw materials are similar to capital equipment, they are needed to grow industries and provide jobs. Imposing safeguards for the benefit of one company alone and to the detriment of the many downstream plastic manufacturing companies will be deemed counterproductive. Government will earn additional taxes from the raw materials import but will lose more significant form of taxes and other economic benefit that will be generated from the manufacturing and job creation

17. Plastmann Industrial Corporation

On 06 October 2020, Plastmann Industrial Corporation expresses support for the Position Paper already submitted by the Philippine Plastic Industry Association, Inc. (PPIA) dated September 14, 2020. As a client of JGSPC, Plastmann Industrial is in a constant struggle with higher local price from JGSPC compared to regional Asian suppliers. The price disparity has already made Plastmann's products uncompetitive forcing their clients in turn to importation of finished products rather than local sourcing.

- Plastmann can only be competitive as a manufacturing entity if only the price of resin is likewise competitive.

- The nature of Plastmann's business requires the use of accredited and approved grades which is determined by the clients. Many of the grades are simply not available locally or if not unacceptable in terms of quality.

- The imposition of the safeguard measure in favor of JGSPC will render importation of accredited and approved grades, effectively expensive forcing clients to import finished products instead of local sourcing.

- Vital to any industry is a reliable supply of raw materials. Sadly, several instances have shown JGSPC to be deficient in this regard. Plastmann have encountered a number of delays in the delivery of materials from JGSPC with the reason being cited as the breakdown of their equipment. In one instance, it took JGSPC 7.5 months to complete a delivery. The said supply disruption due to the delayed delivery by JGSPC caused Plastmann financial losses and affected its reputation as a reliable supplier. No compensation, rebate or assistance was offered by JGSPC to Plastmann.

- While Plastmann supports local industry, it should not be penalized for the midstream supplier's inability to provide consistent, reliable, quality and competitively-priced products.

18. United Polyresins, Inc.

On 08 October 2020, United Polyresins, Inc., commented that they strongly oppose the Safeguard Duty (P15,000.00 or USD 300.00 per ton in the application or any amount) being sought for the importation of HDPE and LLDPE resins in line with the JGSPC petition (SG05-2020-HDPE and SG06-2020-LLDPE).

United Polyresins, Inc., is ahead of the trends in the industry, having rigorous studies about HDPE and LLDPE resin supply and demand. It stands with the Philippine Plastics Industry Association, Inc. (PPIA), with their position paper which indicated several disadvantages and drawbacks, not just to the Philippine plastic industry but to the Philippine market as well. However, with 50 years of manufacturing plastic packaging products, United Polyresins, Inc., has its full support towards the establishment of an integrated and healthy Philippine Petrochemical Industry. With this proposal of JGSPC, the Safeguard duty will not be necessary since importation of HDPE and LLDPE materials will not pose a threat to their business in the coming years.

Currently, JGSPC has pending deliveries of HDPE and LLDPE resin to United Polyresins, Inc., which means that they may not be able to supply competently nationwide, as the demand for plastic packaging remains constant, if not increasing. Granting JGSPC's petitions will make them sole conglomerate for the whole country and when the time comes they might not be able to keep up with the demand and they will then control the price for the said resin materials and pose a threat to the hundreds of plastic downstream industries and thousands of small businesses that are end-users of United Polyresins' products in the country.

19. Marulas Industrial Corporation

On 08 October 2020, DTI received Marulas Industrial Corporation (MIC) comments stating that as a member of the Philippine Plastic Industry Association, Inc. (PPIA), expresses its full support to the Association and with it its commitment to serve and protect the local downstream plastic industry and the thousands of Micro, Small and Medium Enterprises through its Position Paper on the application for safeguard duty for imported HDPE and LLDPE resins.

MIC stressed that JGSPC imports petrochemical resins to augment the local supply chain for its own manufacturing needs. MIC is of the view that, for any industry to thrive and constantly improve, there must be fair competition. Monopolies and/or quasi-monopolies are the turf that is best suited to Government as it is specifically geared toward public service and the general good. When applied or granted to any specific entity, the industry will suffer from some or all of the following: higher prices for consumers, less incentive to cut costs, to innovate and to invest, productive inefficiency, potential diseconomies of scale, gaining of political power to protect one's vested interests and ultimately less choice for consumers.

Further, MIC stated that as it is, JG Summit Petrochemicals Group (JGSPG) with its two (2) wholly-owned subsidiaries, (JG Summit Petrochemicals Corporation and JG Summit Olefins Corporation) collectively owns and operates the largest polyolefins manufacturing facilities in the country. With the non-operation of the NPC Alliance, that leaves the JGSPG as the only integrated PE and PP resin manufacturer and sole domestic supplier of PE. With only one source, disruption in any operation while expected, will be unacceptable. What will happen to the supply chain of the downstream industries if it is left without a viable recourse during a planned shutdown, regular maintenance, and emergency repair activities, political/economic events, and force majeure.

Resin importations under the safeguard duty arrangement, will inevitably result to increased manufacturing costs, thereby putting domestic producers at a further cost disadvantage vis-à-vis imported finished goods. It is therefore, unthinkable to believe that a country will prioritize the interest of one single entity's medium term bottom-line to the detriment of its entire downstream industry. The financial losses cited by JGSPG in its application/petition for the Safeguard Measures was inconsistent with its expansion plans:

Ongoing petrochemical expansion project with new production units

- A going concern can invariably lose out in so many ways, and they can include the following: inadequate equipment, technology obsolescence, high input costs, product quality issues, production and logistical inefficiency, unforeseen events, force majeure, mismanagement, fraud, changing political landscape, environmental policies, and taxation. Any combination of these reasons can and may play a role instead of the importation of resins.

- Along with the points raised by PPIA, MIC reiterates the fact that the Philippine industry comprises the upstream, intermediate, midstream and downstream industries and does not refer to any one single entity and extra care should be taken in determining who are really affected.

20. Citiplas Plastic Servicing Center

On 09 October 2020, DTI received Citiplas Plastic Servicing Center's comments. The company stated the following comments:

Product Imported Tariff Classification	• HDPE (Ellene5604/Titanex 1881/Titanzex HF 7000/Innoplus HF 7000) • LLDPE (Innoplus 7801A/Innoplus 7810 D/ SASOL 1820 T HDPE – 3901 (3901.20.00 AHTN 10 MFN 10) LLDPE – 3901 (3901.10.99 MFN 10 AHTN 10, 3901.10.92 MFN 10 AHTN 10, 3901.40.00 MFN 10 AHTN 10, 3901.90.90 MFN 3 AHTN 3)
Source Countries	• Singapore, Thailand, Malaysia and Taiwan
Difference between Imported and Local Products	• The imported materials may have certain advantages over domestic products in terms of technological advancement and R&D, though certain local producer can produce same products as the one imported. However, the properties, composition and quality differ from each other. Plus a wider range of product resin grades to choose from that are not readily available locally.
Philippine Market	• Plastic industry is a highly competitive industry which caters to almost all types of markets. It is segmented into flexible and rigid plastics. Most plastics packaging companies create their own brand to distinguish them from competition, though some companies try to imitate or copy other company's brands and products. Majority of the packaging market is needed by the lower income households wherein they are price sensitive. • Basically, the market consists of Luzon, Visayas and Mindanao. Some products are affected by the ongoing plastic regulation which affects overall plastic consumption. Prices are variable since plastics are petroleum based. So it largely depends on oil prices. With varying needs of consumers, companies adapt to these changes by offering products that meet the demands. • With the pandemic, many companies are suffering due to labor issues and operational capability. Costs are increasing as many companies are adapting to the new normal with new workplace safety policies. • The importance of importing raw materials presents an alternative for companies to be competitive, as these consists of 60-70% of production cost. This is also to ensure that companies need to operate consistently without any interruption on any of their supply chain.
Serious Injury	• The expansion for additional capacity as stated by the Applicant is not yet operational and thus, the supply chain is still limited.

	• The rate of increase of imports was raised by the Applicant in order to compensate for the unavailable supply locally. Previous experience presents that most of the Applicant's production equipment are under maintenance.
Factors that Cause Serious Injury	• Factors that Citiplas Plastics consider as Causing the Serious Injury: 1) Untimely delivery of raw materials; 2) Insufficient volume to serve the customer requirements; 3) Inconsistency of product quality and batch delivery; and 4) Non-commitment to quantity ordered, adjustment in allocation when something went wrong (e.g., machine breakdown, shortage of input processing of materials, etc.).
Others/General Comments	• The imposition of a safeguard tariff will: - It will cause irreparable damage to the market and drive the market to import not only packaging materials but also the finished products. - It puts company employees and their families, stakeholders, and customers, who depend on Citiplas Plastic's products as their source of income, at risk of losing their jobs/livelihood. - JG Summit has proven to be a non-reliable supplier, in terms of delivery, quality and competitive pricing (e.g. delay of deliveries which affects the company's operations, inconsistency of batch deliveries wherein some lots have quality issues, and certain situations when the prices are unstable especially when demand/supply is a concern). - Evalene does not have the grades that meet the quality and performance requirements of the end-users (e.g. bimodal grades, high molecular grade, as well as resin grades for specific application, etc.). • This is to support PPIA's position paper submitted, including any supplemental industry position paper submitted, including any position that is against the imposition of a safeguard duty that benefits a single mainstream industry player at the expense of the entire downstream plastic manufacturing and converting industry.

21. Artpack Philippines, Inc.

On 14 October 2020, DTI received Artpack Philippines, Inc.'s comments. Artpack Philippines stated the following:

Product Imported	• HDPE and LDPE
Tariff Classification	• 3901 1019.00 – TAR SPIEC 10%
Source Countries	• Hongkong, China, Singapore and Malaysia
Difference between Imported and Local Products	• In terms of quality, there is no difference between the local and imported product.

Philippine Market	• In terms of cost, there is a big difference between JG Summit as the local supplier and the foreign supplier. Artpack Philippines is not satisfied with the delivery of JG Summit which it cannot comply on the required dates, considering that it is the domestic supplier. JG Summit likewise requires the issuance of a P. O. one (1) month in advance or payment first. Suppliers of imported products on the other hand, gives a 30-day L. C. • Because of the delay in the delivery by JG Summit, Artpack Philippines is bound to compromise its production that results in the delay of delivery to customers.
Others/General Comments	• Artpack Philippines does not sell resin because they use it for their production of plastic sando bags and export it to the USA and Puerto Rico. • Artpack Philippines can buy the domestic supplier's products for the use of its production for as long as the former can give a good allocation, price and, most especially compliance to the delivery time. Considering that JG Summit is the local supplier it should have more stocks of its products available to local customers.

22. Liquid Packaging Corporation (LPC)

On 20 October 2020, DTI received Liquid Packaging Corporation (LPC) comments. LPC is a manufacturer of plastic bottles and has been an importer of plastic resin. The main essential component of LPC's products is PET (Polyethylene Terephthalate) resin. LPC produces caps, lids and other plastic products. These products are produced from other types of plastic like HDPE and LLDPE. Plastic resin has various types and LPC uses the same in particular for injection and blowing and majority of LPC's sources are from abroad, especially the PET, LLDPE and some HDPE blow grade. In the event that supplies are tight, particularly the HDPE, LPC sources them from local traders. LPC further stated the following comments:

- As to Cost – The landed cost of imported resin is lower compared to the market price of the locally-acquired raw material resin.

- As to Resin Type – The type of plastic resin that LPC is using for its lids is not produced by JG Summit Petrochem, particularly the LLDPE injection grade.

- As to Supply – LPC inquired before from traders for JG Summit Petrochem's HDPE Evalene product, however, it appears that they have supply issues.

- As to Recent Activity – LPC is still on testing stage with JG Summit's HDPE blowing grade and there is no definite schedule yet as it is prioritizing its production. Any plastic material /resin that has a grade or application that complies with LPC's requirement may be used as long as it passes the testing process of and received recommendation from the company's Quality Assurance.

23. Pact Closure Systems Philippines, Inc.

On 30 October 2020, DTI received Pact Closure Systems Philippines, Inc.'s comments. The company stated the following comments:

Product Imported Tariff Classification Source Countries Difference between Imported and Local Products	• BorPure MB6562 HD Polyethylene • Tariff Code: 3901.2000 • Saudi Arabia, UAE, China, Thailand and Korea • The imported products are compliant with the HDPE grade required by Pact Closure Systems' closures.
Philippine Market/ Serious Injury	• Pact Closure Systems' business needs specialty HDPE grade. As far as it knows, the domestic petrochemical producers do not have similar grade. • Even if the domestic petrochemical producers are able to provide similar grade, due to the complex testing and qualification, the minimum required qualification time is 3 years since the first test on the new resin; and it is not guaranteed that the test and qualification will succeed. • The success of the test and qualification will depend on customer feedback. • This is the first time that Pact Closure Systems encountered an issue like this. It is not aware of any serious injury to the local petrochemical industry or to the serious injury claimed by the subject Applicant.
Others/General Comments	• Fair competition among the exporters and the domestic petrochemical industry is needed for a long term and healthy market growth. It will help the domestic producers to improve themselves gradually and to grow as a global player. • Pact Closure Systems' business needs specialty HDPE grade and as far as it knows, the domestic petrochemical producer does not have a similar grade. • Even if the domestic petrochemical industry will be able to produce or provide a similar grade, due to the complex testing and qualification, the minimum required qualification time is three (3) years from the test of the new resin, and it is not guaranteed that the test and qualification will succeed. • Considering the long list of importers, any decision needs to protect the importers as well as the public interest and there should be no cost increase.

	• The price of Polyethylene fluctuates depending on the agreement between the buyer and the supplier. On the case of Pact Closure Systems, pricing is based on the ICIS Polyethylene Asia. Though the Bureau of Customs have a reference value, it is fair and justifiable to consider the transaction value of the imported PE.

24. Phelps Dodge Philippine Energy Products Corporation

On 16 November 2020, DTI received Phelps Dodge Philippine Energy Products Corporation's comments. The company stated the following comments:

Products Imported Tariff Classification Source Countries	• PE Compounds (raw materials for cables) HDPE, LDPE, MDPE, LLDPE and LPE • AHTN Code 3901.2000 (ASEAN Origin – Zero, China Origin – 5%, Other Countries w/o FTA – 10%) • USA, Korea, China, Thailand, Malaysia, Singapore, Europe and Middle East
Difference between Imported and Local Products	• The products being imported by PDPEPC are wire and cable compound grades cable insulation or jacket that are compliant with the international wire and cable standards. • The JGSPC domestically produced materials are only good for packaging use and not applicable/compliant for wire and cable applications.
Philippine Market	• The application of PE materials used by PDPEPC are for low voltage and medium voltage cables and telecom cables. The major customers are power distribution utilities, power plants, industrial plants and telecommunications companies. • The general market segmentations are a) Power/electric distribution and transmission companies, b) Power generating and industrial plants, c) Construction industry for residential/commercial buildings, and d) Government infrastructure projects. • PDPEPC does not have information on factors causing serious injury claimed by the applicant/petitioner as it does not use PE grades produced by the applicant.
Others/General Comments	• PDPEPC opposes the petition of JGSPC insofar as it includes specific products it is importing as essential raw materials (polyethylene wire and cable grade compounds) for the production of power cables and wires. Said products should not be included in the proposed safeguard measures on importation of HDPE and LLDPE pellets and granules, as this would pose serious injury to domestic manufacturers of power cables and wires, including PDPEPC. These imported raw materials are not produced locally by JGSPC or any other domestic manufacturer.

	• PDPEPC and other local wire and cable manufacturers have long been importing all wire and cable and PE compounds used for production of wires and cable as these are not available locally. • The products being imported by PDPEPC are compliant with international wire and cable standards, while the products produced by JGSPC locally are intended for packaging use and are not suitable for wire and cable applications. • JGSPC does not have the manufacturing capability to produce special wires and cable PE grades that will meet PDPEPC's requirements to manufacture wire and cables. • Over the years, local manufacturers of cables and wires have been losing market share due to the proliferation of imported cables and wires. Increasing the duty on imported raw materials would further erode PDPEPC's competitiveness as to pricing compared to imported cable and wires. • The proposed safeguard measure insofar as it would include the imported raw materials used in manufacturing power cables and wires, would be detrimental to the financial viability of the local manufacturers and would put them (including PDPEPC) at a serious disadvantage compared to imported power cables and wires.

25. Jason Manufacturing Phils. Corporation

On 03 October 2020, DTI received Jason Manufacturing Phils. Corporation's comments. The company stated the following comments:

Product Imported	• LLDPE Qamar FD21HS, and LLDPE Lotrene Q2018H
Tariff Classification	• 3901.9090 – 3 % Tariff Duty, and 3901.4000 – 3% Tariff Duty
Source Countries	• Saudi Arabia and Qatar
Difference between Imported and Local Products	• The difference between the imported products and the domestically manufactured is mainly the proprietary qualities of the raw materials. JMPC have products in its item line-up that require very specific features of those raw materials sourced abroad, that is, a specific clarity and a specific elasticity; and property to withstand freezing temperatures without resulting in the degradation of the quality of the plastic bags. • These very specific proprietary qualities of the raw materials being imported by JMPC are far more superior than the quality of the locally manufactured raw materials. Even though the local manufacturer would report that their raw materials have the same Melt Index (MI) as with the imported raw materials, the results differ in terms of quality of the end product.

Philippine Market	• The plastic industry in the Philippines, is extremely competitive. This was made even more so by the government's thrust to eradicate the use of plastics in favor of environmental preservation. The requirement for plastic products has diminished over the years, making for cutthroat competition. As such, each manufacturer must find its own competitive advantage in order to maintain an edge in positioning their products in the market. • JMPC customizes the mixture of its raw materials in order to come up with proprietary properties that would allow it to compete successfully in the local market. In this regard, unhampered access to the global raw materials market at fair value is imperative to the survival of the industry.
Serious Injury	• There seems to be no serious injury to the applicant as their Income Tax Return filed in the last five (5) years have not shown heavy losses. • The main factor that resulted in the serious injury the applicant claimed to have incurred was brought about by the lapse in proper maintenance of their machineries. Their operation became inconsistent because of this, causing massive delays in the delivery of pending orders in the downstream industry. This resulted in the local supply of raw materials becoming undependable. • This gap in the supply and demand caused by the applicant's limited production capacity, was what prompted the need for the plastic manufacturers to source its raw materials abroad, to ensure its continuous operation. • Another factor may be the inherent limitation in the quality of the raw materials produced by the applicant. JGSPC's LLDPE raw materials has two (2) kinds of Melt Index (MI): MI-1 and MI-2. But even if such is the case, the quality of the resulting finished product is still very much behind those produced using imported raw materials.
Others/General Comments	• At present, the applicant JGSPC is the sole producer of HDPE and LLDPE resins in the Philippines. From the time the applicant started its operation up to this day, the downstream plastic industry has rendered its full support to the applicant. However, problems in the supply chain remain pervasive as the applicant still frequently failed in its commitment to deliver raw materials over an extended period of time. The plastic downstream industry is forced to import raw materials from abroad in order to: 1) fill in the gap, 2) ensure the continuous operation, and 3) stabilize the prices of raw materials and finished products in the local market. • The applicant insisted on its claim of the increased volume of importation of HDPE and LLDPE without mentioning their failure in maintaining a steady supply of raw materials in the local market. They seemed to have no surplus in their inventories and

	are constantly out of stock, because their machineries are frequently breaking down. At 200,000 metric tons annual volume production, the applicant can only supply 50% of the yearly total requirement of the plastic downstream industry. • Because the applicant already has the monopoly in the local production of HDPE and LLDPE, increasing the tariff to give them a safeguard measure seems tantamount to putting them in a position of monopoly. It would force the plastic downstream industry to settle for quality that is substandard. If the safeguard measure will be implemented, it would cause the increase in the landed cost of imported raw materials, which will inevitably result in the huge distortion in the prices of locally produced plastic products against imported finished products, since the current tariff setup for the finished plastic products is zero (0) duty. All this might lead to the collapse of the downstream plastic industry and the subsequent displacement of tens of thousands of workers.

A.1.d Exporters Responses to the Questionnaire

The following are the identified exporters that submitted responses to the Questionnaire:

1. Sumitomo Chemical Asia Pte Ltd (SCA)

On 17 September 2020, DTI received Sumitomo Chemical Asia Pte Ltd (SCA) comments through its Legal Counsel, Quisumbing Torres Law Office. SCA stated the following comments:

Products Exported to the Philippines	• Sumitomo Polyethylene HDPE Blow Film (F0554) MFR 0.05 with density of 0.951 for Shopping bag, garbage bag and industrial liner. • Sumitomo Polyethylene HDPE Blow Moulding (B2555) MFR 0.3 with density of 0.954 for Small to medium size container.
Philippine Market/ Serious Injury	• There is an inability of the Philippine local production capacity to meet local demand. The local demand for plastics in the Philippines exceeds the local domestic production capacity. The shortfall between local demand and local production capacity is naturally covered by imports. • In addition, the local demand for plastics in a healthy market would usually grow each year. If local production capacity is and remains stagnant and/or unstable, there would necessarily be an increase in importations. • Importation of HDPE and LLDPE also meet the local demand for products which are not produced locally (for example, bimodal HD film), in addition to meeting the shortfall of local production.

Comments on Specific Claim Made by the Petitioner/ Applicant in Regards to Serious Injury	• While there has been an increase in imports of HDPE and LLDPE, there is no showing that the increased imports of HDPE and LLDPE have a causal link to the serious injury or threat to the domestic industry, for the following reasons: - It is normal for a demand for plastics to grow on a year on year basis. Where there is no increase in domestic capacity, such lack of increase in domestic capacity will necessarily translate into an increase in volume of imported goods. The Petitioner fails to show that it has the capacity to accept and produce higher quantities of HDPE and LLDPE as the demand for plastics increase. - The current 320,000 MT capacity of the Petitioner is not sufficient to fulfill the demand of the local downstream industry. Imports are needed to make up for the shortfall. - The Petitioner’s decision to reduce its production volumes naturally resulted in a decrease in the Petitioner’s domestic sales figures in 2018 and 2019. There is no sufficient proof that the reduction in Petitioner’s domestic sales in 2018 and 2019 was due to the increase in imports. - Apart from the Petitioner’s insufficient production capacity to meet local demand, SCA understands that the Petitioner has experienced production stoppages from time to time, thereby, further affecting its ability to meet local demand. The Petitioner should be required to a) provide evidence and explanation for its production stoppages and b) demonstrate that its loss in sales cannot be attributed to such stoppages. If the Petitioner is unable to demonstrate item b), then any loss in sales due to production stoppage cannot be attributed to the alleged increase in imports. - The Petitioner’s failure to meet local demand requirements in 2018 prompted major industry players to secure their raw material requirements from other dependable sources, such as imports. In these circumstances, major downstream players had no choice but to divert and commit volumes normally supplied by domestic resin producers, and obtain such volumes from foreign suppliers to ensure a steady supply. This would explain the increase in imports in 2018 and 2019. In addition, the October to November 2019 cracker shutdown likely resulted in the increase of 26% for HDPE imports (Initiation Report, SG05-2020, p. 24) and 9% for LLDPE imports (Initiation Report, SG06-2020, p.24) in 2019. Reports on shutdowns and extended shutdowns by JG Summit show reasons completely unrelated to imports. - In addition, SCA also understands that there were instances of non-delivery by the Petitioner during 2018-2019 resulting in its supply being inconsistent and unreliable. This resulted in downstream customers having

	to turn to imports to ensure that their business operations were not disrupted. - Even if the imported products are cheaper than domestic products, it is SCA's view that, the Petitioner's products are more expensive than HDPE and LLDPE imports in order to cover its own high expenditure. From the Petitioner's own evidence, it is incurring high costs (e.g. constructing a new PE plant, expansion of cracking facility capacity, ongoing plant reliability studies), and it plans to incur further expenditure (e.g. construction of coal fired power plant, installation of operator training simulator and advanced process control system). This could contribute to higher costs of production which JG Summit is trying to "pass onto" exporters by applying for safeguard measures. - Further, the Petitioner has indicated that it applies a "reasonable margin" to its sale price to recover investment. This is too vague; the Petitioner should be required to provide more details on how this "reasonable margin" is derived and the basis of calculation for such margin.
On the Claim that Domestic Production Volume had to be Drastically Reduced by 51% in 2018 Owing to the Negative Impact to Gross Profit and Low Capacity Utilization	• The Petitioner has not shown a causal link between reduction in production volumes and the alleged increase in imports. There is no such causal link. We note that the Petitioner chose to sell C2 or Ethylene due to low downstream polyethylene (PE) prices, i.e. selling C2 was more profitable during this period. This would naturally result in a decline in the Petitioner's PE production. • We would point out that other resin and petrochemical suppliers also faced the same difficulties and had to lower their prices globally because they chose to retain PE production and sales despite negative margins in order to ensure consistent and regular supply to the downstream customers. • In addition, the Petitioner also has not demonstrated that the alleged negative impact to gross profit is attributable to the alleged increase in imports. • Finally, it is unclear why the Petitioner persists in increasing its production capacity when, by its own data (which is redacted), its capacity is underutilized. Exporters should not be responsible for costs incurred to unnecessarily increase local production capacity.
On Lower Productivity Due to Falling Production Volumes while Continuing to Hire Skilled Workers	• The Petitioner has not explained why it is necessary for it to contribute "to reducing the need for these skilled workers to find overseas employment." • In addition, the Petitioner should be required to give further details on how much lead time is in the "pre-hiring" process for the upcoming new builds, as well as the job scope and actual tasks performed by these new hires. If the workers are idle and/or there is insufficient work for them, then the lower

	productivity cannot be attributed to the alleged increase in import volume. • Exporters should not be required to bear the cost of the Petitioner's mistakes/miscalculations in its hiring policy.
On Claim of Petitioner that it has Seen a Lower Return on Investments	• Based on the Petitioner's own evidence, the period of injury started from 2015. However, construction of the new plant started in 2017. As such, construction would incur high expenditure, the Petitioner should be required to explain when and why it decided to undertake such construction (which likely increases production costs) even though it was allegedly suffering injury from 2015. Such actions should be viewed as a failure to mitigate losses, and the exporters should not be responsible for the same. • Any damage to the Petitioner that is a direct result of its own decision/actions is irrelevant to the determination of the matters that this present investigation seeks to establish, i.e., a) an increase in imports of like or directly competitive products; b) the existence of a serious injury or threat to the domestic injury to the domestic industry; and c) the causal link between the increased imports of the product under consideration and the serious injury or threat thereof.
On Alleged Price Undercutting from Thailand Malaysia and the USA at 1%, 0.39% and 7%, respectively for HDPE.	• In SCA's view, the Petitioner has made a bare allegation that there was a price undercutting without comparing with relevant data from other Southeast Asian markets. This comparison is necessary to prove that the exporters had deliberately lowered prices in the Philippines, in order to justify the requested safeguard measures. However, it is SCA's view that the falling PE prices are not confined to the Philippines but are part of a global phenomenon. Thus, the Petitioner has not proven that there was a clear intention of price undercutting and/or that the prices were allegedly lowered in order to drive sales into the Philippines market. • In any case, the selling price of SCA's HDPE and LLDPE products into the Philippines is based on SCA's monthly company listed price for the whole ASEAN region and the Petitioner has not provided any evidence that we have lowered our selling price in order to boost our product sales into the Philippines. As a company marketing products of Middle Eastern origin, in particular, Saudi Arabia, SCA's aim is to compete for market share with other overseas suppliers, and not to compete with or replace local domestic suppliers.
On the Difficulty of Petitioner Obtaining Financing for its Modernization, Expansion and Operational Requirements	• Apart from the fact that Petitioner's modernization and expansion requirements are unnecessary, Petitioner has not shown how the alleged increase in imports caused increased financing costs. There could also be other reasons for increased financing costs, e.g., higher cost of borrowing offered by financial institutions, which are unrelated to alleged increase in import volume.

Factors Considered to be Cause of the Serious Injury Claimed by the Applicant/Petitioner	• The Petitioner unilaterally decided to reduce their domestic PE production. • The Petitioner's frequent shutdowns in 2018 and 2019 is the cause of its decreased PE production. • The Petitioner's inability to consistently and reliably supply PE to the domestic market (with emphasis on their policy to announce non-delivery to orders) led to an increase in importations of PE.
General Comments	**● On Adjustment Plan** a) The Petitioner has not explained how each of its initiatives will increase its competitiveness against exporters. The initiatives appear to involve high costs. The Petitioner should be required to show impact of its adjustment plan on production costs and sale prices. Exporters should not be subject to safeguard measures because the Petitioner incurred high expansion costs out of its own volition. b) For products/initiatives which have not been commenced, the Petitioner should be required to give further explanation of why the ongoing initiatives will be sufficient to increase the Petitioner's competitiveness against imports. In particular the Petitioner should explain why the purchases of the operator training simulator and advanced process control system are necessary, and quantify the potential "savings" in production costs that would arise from these purchases. **● On Increasing Local Market Volume Demand** The Petitioner alleged that it has to increase production capacity to meet increasing local market volume demand. The Petitioner should be required to disclose its forecasted volume demand and demonstrate how its existing capacity (which is currently underutilized) can meet such demand. Even if the Petitioner's allegation is correct (i.e., its existing capacity cannot meet local volume demand), then the increase in import volume to meet such local volume demand is a natural and reasonable consequence for the failure of the Petitioner to meet the local demand. The exporters should not be penalized by the imposition of safeguard measures in such circumstances. **● On Similarity and Substitutability between Applicant's Products and the Imported Products** The Petitioner/Applicant has made bare allegations, that its products are similar and substitutable with imported products because of similar/same end-use and because the Petitioner's products are produced using two of the world's most widely-used PE process technologies. However, its application does not show

	that Petitioner can meet local demand for all PE products which are not locally produced by the Petitioner. **● On Other Economic Factors to Demonstrate Serious Injury** The Petitioner/Applicant has not demonstrated the following: a) significant idling of productive facilities in the domestic industry including the closure of plants or underutilization of production capacity; and b) inability of a significant number of firms to carry out domestic production at a profit. The Petitioner/Applicant likewise has not provided any relevant data in relation to the factors. With respect to significant unemployment or underemployment within the domestic industry, the Petitioner failed to show how the increased imports have led to unemployment or underemployment, with an actual increase of employment ranging from 10.91% to 18.85% yearly from 2015 to 2019.

2. GC Marketing Solutions Company Limited (GCM)

On 25 September 2020, DTI received GC Marketing Solutions Company Limited's reply to exporter's questionnaire. The company stated the following comments:

Exports	<table><tr><td>Export Produce</td></tr><tr><td>High density Polyethylene (HDPE);</td></tr><tr><td>Low density Polyethylene (LDPE);</td></tr><tr><td>Linear low-density Polyethylene (LLDPE);</td></tr><tr><td>Polypropylene (PP); and</td></tr><tr><td>Polystyrene (PS);</td></tr></table>
Production	GCM's projected shipments to the Philippines for 2021 would be *xxx*, and *xxx* in 2022
Philippine Market/Plant Capacity	Based on projections, domestic demand in 2019 to 2020 will remain at a high level. Accordingly, production must be able to meet this domestic demand. The introduction of safeguard measures may result in an insufficient supply of the product to the meet the demands of the domestic market. It is possible that domestic suppliers would be unable to meet the domestic demand, both in pre and post COVID 19 pandemic.
Other	As shown in the date information above, there has been no sharp increase on the importation of the subjected products from Thailand, including the existence of any unforeseen circumstances which would attribute to a sharp increase in importation of the subjected product. JG Summit experienced a long production shutdown last year which could have caused the supply uncertainty. They also note that the restarting plans for the applicant's plants were delayed numerous times. With low crude oil prices, local producers should have a competitive advantage over the next few years. They note that some cargos are being

	exported instead of being sold in the domestic market. As a result, customers import instead of buying from domestic sellers to ensure their business supply.

3. LOTTE Chemical Titan Corporation Sdn. Bhd.

On 28 September 2020, DTI received LOTTE Chemical Titan Corporation (LCTC) Sdn. Bhd.'s comments. LCTC stated the following comments:

Products Exported	• LCTC markets its HDPE resin products under the brand name TITANEX and TITANZEX • TITANEX HDPE resin products are produced by the UNIPOL unimodal process technology. • TITANZEX HDPE resin products are produced by the MITSUI bimodal process technology.
Factors Considered as Cause of the Serious Injury Claimed by the Petitioner	• Capacity Utilization: 77% (2015), 83% (2016), 94% (2017), 77% (2018), 67% (2019) • The reduction in JGSPC's Capacity Utilization for 2018 and 2019 created increased opportunities for more imports to support the increased local demand. • For the local HDPE producer in the Philippines, the increase in cost to produce and lower capacity utilization than the industry's typical standard, result in its margin squeezed and not being as competitive in terms of economies of scale, compared with other major and sizeable producers in the neighboring countries in SEA.
Comments on Other factors that Affect the Philippine Industry	• A reference to Initiation Report: High-Density Polyethylene (HDPE), the following are observed: - Philippine HDPE demand, significantly increased over the last five (5) years, and both local supply and import also increased. Total apparent Philippine HDPE market increased from 100% (in 2015) to 175% (in 2019). - Philippine domestic sales volume index steadily increased from 100% (in 2015) to 119% (in 2016), to 138% (in 2017), to 136% (in 2018), and to 120% (in 2019). - There was no increase in the local production capacity during the POI. - Total production volume index also increased from 100% (in2015) to 115% (in 2018), however, the same reduced its production volume index to 94% (in 2019) to mitigate its further financial losses, since 2017.

	• The increases in the import volume well supported the steady increases in the local market demand and a part obtaining parallel supply from the marginal increases in the local supply during the POI.
Other Issues/ General Comments	• JGSPC currently employs UNIPOL gas phase technology from Union Carbide, which is a UNIMODAL process technology similarly used by LCTM to produce TITANEX HDPE (220 KTA production capacity). However, most of JSPC's product specification (mainly referring to melt index and density) are not exactly identical with TITANEX HDPE grades which were exported to the Philippines during the investigation period. • LCTM have another TITANZEX HDPE plant (115 KTA production capacity) using Mitsui BIMODAL process technology which is capable to produce high quality, high performance and specialty HDPE applications, such as blown film products (TITANZEX HF7000), and blow molding products (TITANZEX HB6200). • The TITANZEX HDPE line is a different manufacturing process which can produce BIMODAL HDPE resins compared to JGSPC's Evalene HDPE, which can only produce UNIMODAL HDPE resins. • There was no local production in the Philippines for the identical bimodal process technology during the POI. The superior application and excellent properties of bimodal HDPE have driven JGSPC to further expand its third PE line (250 KTA production capacity) by using the bimodal and metallocene HDPE process, which is planned to start up by end of 2020. • LCTC's HF7000 (Bimodal), Melt Index of 0.05 and Density of 0.953 have typical applications in the following: Very thin reinforcing films, merchandise bags, disposal waste bags, shopping bags. • LCTC's HB6200 (Bimodal), Melt Index of 0.45 and Density of 0.956 have typical applications in the following: Small to medium size household and industrial chemical containers, toiletries, and cosmetic containers. • On the other hand, Evalene HF09522 (Unimodal), Melt Index of 0.075 and Density of 0.952 have typical applications in the following: Grocery bags, supermarket produce bags, carrier bags, trash bags and sack liners. • Evalene HB33531 (Unimodal), Melt Index of 0.39 and Density of 0.953 have typical applications in the following: Rigid packaging, food beverage and condiment packaging, bottles for personal care products, bottles for household and industrial chemicals (HIC).

4. Dow Chemical Pacific (Singapore) Private Limited

On 05 October 2020, DTI received Dow Chemical Pacific (Singapore) Private Limited comments through its Legal Counsel Sycip Salazar Hernandez & Gatmaitan Law Office. The company stated the following comments:

<table>
<tr><td>Exports</td><td><table><tr><td>Product Category</td><td>Product Type</td></tr><tr><td>HDPE</td><td>HDPE</td></tr><tr><td>C4 LLDPE</td><td>C4 LLDPE</td></tr><tr><td rowspan="3">HAO LLDPE</td><td>C6 LLDPE</td></tr><tr><td>C8 LLDPE</td></tr><tr><td>Enhanced/metalloce ne
C8 LLDPE</td></tr></table></td></tr>
<tr><td>Production</td><td>The manufacturing capability of Dow has a global reach. They have plants in the USA, Canada, Argentina, Spain, Netherlands, Germany, Thailand, and Saudi. Total production capacity in 2015 was xxx, and in 2019 was just below xxx.

Projected Shipments to the Philippines for the next two (2) Years (in MT) x x x</td></tr>
<tr><td>Capacity utilization</td><td>The Asia Pacific represents around 25% of the total global capacity, and the volume in the Philippines is around 2% of the volume sold in the Asia Pacific. The Philippines continues to be one of their strategi markets for advanced Polyethylene lineups for C6 and C8 LLDPE.

Under normal circumstances, their plants operate at around 87-92% of the capacity utilization</td></tr>
<tr><td>Public Interest</td><td>By controlling the flow of LLDPE imports into the country and penalizing it with USD300/MT, there will be a large increase in the cost of multi-layer films or laminates heavily used in food packaging. This additional cost will eventually be passed on the local consumers who will be ultimately injured by the safeguard measure imposed.</td></tr>
<tr><td>Price</td><td>Dow products Dowlex (C6 & C8 LLDPE) and Elite (C8 enhanced/metallocene LLDPE) which fall under the AHTN Code 3901.40.00 are already imposed with 3% duty based on the unit price on each polymer imported to the Philippines if the origins are from North America, Middle East and Europe.

Dowlex C8 LLDPE and Elite (C8 enhanced/metallocene LLDPE) as premium products due to their superior qualities as compared to C4 LLDPE products. The market prices for these HAO polymers are roughly xxx higher than that of C4 LLDPE or on average 15 to 20% higher price. Under the current circumstances, these xxx account for around 10% of HAO prices.</td></tr>
<tr><td>Other</td><td>Another factor for the increasing demand for higher performance LLDPE resin is that some Philippine importers are looking into the opportunity to export their locally produced pillow pouches.

JG Summit has in fact purchased C8 LLDPE from us. This confirms that JG Summit only produces C4 LLDPE and underscores the fact there is a demand for C8 LLDPE that is not being met by the domestic market.</td></tr>
</table>

5. Siam Synthetic Latex Company ("SSLC")

On 05 October 2020, DTI received SSLC comments through its Legal Counsel Sycip Salazar Hernandez & Gatmaitan Law Office. The company stated the following comments:

Exports	SSLC manufactures and produces Polyolefin Elastomer resins under the Dow proprietary trade name Engage. Polyolefin Elastomers are under the same AHTN code 3901.40.00 as LLDPE, they are however, not LLDPE due to differences in product density and market applications. Polyolefin Elastomers is used for automotive and footwear, whereas LLDPE is for film and packaging. Polyolefin Elastomers also has a lower density (0.857g/cm^3 to 0.908g/cm^3) Applicant JG Summit Petrochemical Corporation (JG Summit) produces only LLDPE and HDPE with density >0.918g/g/cm^3 to 0.925g/cm^3) JG Summit does not produce Polyolefin Elastomers
Production	Out of the total production in 2019, 95% were exported, with exports to the Philippines amounting to only 0.1% of total exports. All exports are made through Dow affiliates with DCPL as the distributor for export markets.
Capacity utilization	Total Capacity: *xxx* per year 2018 Data: Production *xxx*, Domestic sales *xxx*, Export Sales 201,282 MT 2019 Data: Production *xxx*, Domestic sales *xxx*, Export Sales 205,613 MT Projection of 2020-2022: Estimation of Production xxx per year. Ratio of domestic and export sales is similar to 2019.
Philippine Market/Plant Capacity	Based on projections, domestic demand in 2019 to 2020 will remain at a high level. Accordingly, production must be able to meet this domestic demand. The introduction of safeguard measures may result in an insufficient supply of the product to the meet the demands of the domestic market. It is possible that domestic suppliers would be unable to meet the domestic demand, both in pre and post COVID 19 pandemic.
Other	As shown in the date information above, there has been no sharp increase on the importation of the subjected products from Thailand, including the existence of any unforeseen circumstances which would attribute to a sharp increase in importation of the subjected product. JG Summit experienced a long production shutdown last year which could have caused the supply uncertainty. They also note that the restarting plans for the applicant's plants were delayed numerous times. With low crude oil prices, local producers should have a competitive advantage over the next few years. They note that some cargos are being exported instead of being sold in the domestic market. As a result, customers import instead of buying from domestic sellers to ensure their business supply.

6. Rabigh Refining and Petrochemical Co.

On 02 October 2020, DTI received Rabigh Refining and Petrochemical Co., comments through its Legal Counsel, Quisumbing Torres Law Office. The following are their comments:

<table>
<tr><td>Exports</td><td>List of LLDPE exports to the Philippines
<table>
<tr><th>Grade</th><th>MFR 2.16</th><th>Density</th><th>Additive</th><th>Application</th></tr>
<tr><td>FS150A</td><td>1.1</td><td>0.921</td><td>Basic</td><td>General purpose film, lamination& stretch film</td></tr>
<tr><td>FS1535</td><td>1.1</td><td>0.921</td><td>High slip/High antiblock</td><td>Heavy duty liner, clothes packaging and mulch film</td></tr>
<tr><td>FS2508</td><td>2.2</td><td>0.921</td><td>Basic</td><td>Hand and pallet stretch wrap film & wire and cable</td></tr>
<tr><td>FS2535</td><td>2.2</td><td>0.921</td><td>High slip/High antiblock</td><td>General purpose film, clothes packaging & agriculture film</td></tr>
<tr><td>FS3505</td><td>3.1</td><td>0.922</td><td>Basic</td><td>Hand and pallet stretch</td></tr>
</table></td></tr>
<tr><td>Production</td><td>PRC has two main activities: 1) refining and 2) petrochemical production. The two activities are fully integrated to maximize profit and minimize cost by converting low value products into higher margins.</td></tr>
<tr><td>Financial</td><td>This data is confidential. PRC past capacity, production and sales volume have generally maintained around the same levels. PRC capacity utilization is projected to maintain at current levels. Sales and production for CY2020 is likely to fall with potential recovery in CY2021.</td></tr>
<tr><td>Capacity utilization</td><td>For petrochemical products: PRC has a capacity to produce up to 4.8 million tons annually of polyethylene’s, polypropylene’s, mono ethylene glycol, propylene oxide, various specialty polymers (PMMA, TPO, EPR, Nylon-6) and a wide range of Aromatics (Paraxylene, Benzene, Cumene, Phenol, Acetone).</td></tr>
<tr><td>Employment</td><td>The Applicant has not demonstrated (a) and (b) or provided any relevant data in relation thereto. With respect to (c), the Applicant fails to show how the increased imports have led to unemployment or underemployment, with an actual increase of employment ranging from 10.91% to 18.85% yearly from 2015 to 2019. (Initiation Report, SG05-2020, p. 18; Initiation Report, SG06-2020, p. 18.)</td></tr>
<tr><td>Not Threat of Serious Injury</td><td>Based on the Applicant’s own evidence, the period of injury started from 2015. However, construction of the new plant started in 2017. As such, because construction leads to high expenditure, the Applicant should be required to explain

Any damage to the Applicant that is a direct result of its own decisions/actions is irrelevant to the determination of the matters that this present investigation seeks to establish, i.e., (1) an increase in imports of like or directly competitive products; (2) the existence of a serious injury or threat to the domestic injury 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.</td></tr>
<tr><td>Public Interest</td><td>Importation of HDPE and LLDPE also meet the local demand for products which are not produced locally (for example, bimodal HD film), in addition to meeting the shortfall of local production.</td></tr>
<tr><td>Philippine Market/Plant Capacity</td><td>1. There is an inability of the Philippine local production capacity to meet local demand. The local demand for plastics in the Philippines. The current</td></tr>
</table>

	320,000 MT capacity of the Applicant is not sufficient to fulfill the demand of the local downstream industry. 2. The Applicant, being the sole producer of HDPE and LLDPE, fails to show that it has the capacity to accept and produce higher quantities of HDPE and LLDPE, as the demand for plastics increase. 3. In addition, the Applicant is exporting outside the Philippines as indicated in Annex 2 considering the Applicant is the sole producer in the Philippines; decreases the product availability in the local market and increases the importance of import products to fulfill stable supply to the downstream sector. 4. The Applicant's failure to meet local demand requirements in 2018 prompted major industry players to secure their raw material requirements from other dependable sources, such as imports. In these circumstances, major downstream players had no choice but to divert and commit volumes normally supplied by domestic resin producers, and obtain such volumes from foreign suppliers to ensure a steady supply. This would explain the increase in imports in 2018 and 2019. In addition, the October to November 2019 cracker shutdown likely resulted in the increase of 26% for HDPE imports (*Initiation Report*, SG05-2020, p. 24) and 9% for LLDPE imports (*Initiation Report*, SG06-2020, p. 24) in 2019 5. Finally, it is unclear why the Applicant persists in increasing its production capacity when, by its own data (which is redacted), its capacity is underutilized.
Price	In any case, the selling price of HDPE and LLDPE products into the Philippines is based on marketer's monthly company listed price for the whole ASEAN region and the Applicant has not provided any evidence that PRC lowered its selling price in order to boost our product sales into the Philippines. As a company marketing product of Middle Eastern origin, in particular, Saudi Arabia, marketers aim is to compete for market share with other overseas suppliers, and not to compete with or replace local domestic suppliers.
Other	JG Summit Petrochemical Corporation (Applicant) claims that there was an increase in import volume of HDPE and LLDPE between 2015 and 2019, and there was a decrease in domestic sales between 2018 and 2019. Applicant further claims that there has been a decrease in sales volume to domestic customers because imported products are cheaper. The Applicant should be required to (i) provide evidence and explanation for its production stoppage(s) and (ii) demonstrate that its loss in sales cannot be attributed to such stoppage(s). If the Applicant is unable to demonstrate (ii), any loss in sales due to production stoppage cannot be attributed to the alleged increase in imports. Reports on shutdowns and extended shutdowns by JG Summit show reasons completely unrelated to imports.

7. Dow Chemical Pacific Ltd. (DCPL)

On 12 October 2020, DTI received the original submission of Dow Chemical Pacific Ltd. (DCPL) and on 27 November 2020, DCPL submitted through its Legal Counsel Sycip Salazar Hernandez & Gatmaitan Law Office. DCPL's comments are the following:

Products Manufactured/ Exported to the Philippines	• W&C compounds under the brand names AXELERON, ENDURANCE and SI-LINK. • Compounds are being imported under the AHTN codes which are within the scope of the investigations given that the base resin could be LLDPE or HDPE.
Factors that DCPL Believe Affect the Philippine Industry	• There is little to no local production capability in the Philippines to produce the W&C compounds that conform to the national and international standards mentioned above. Almost all cable manufacturers therefore rely on imports of these W&C compounds. • These W&C compounds are being imported under the AHTN codes which are within the scope of the investigations, given that the base resin could be LLDPE or HDPE, but these are very different from the LLDPE and HDPE products produced by JG Summit and do not compete with them in any manner. These cable compounds are specialized products intended for very specific applications. Specific applications include insulation and protection of W&C products.
Serious Injury	• The W&C compounds supplied by Dow's W&C business and sold through DCPL are manufactured in specially designed polyethylene plants. JG Summit's plant design is not capable of producing similar products. • The importation of Dow's W&C compounds AXELERON, ENDURANCE and SI-LINK, does not cause any injury whatsoever to JG Summit as the latter does not manufacture similar products nor does it sell to the cable industry. • As previously stated, though these cable compounds share the same AHTN codes as those within the scope of the investigations on account of the base resin being LLDPE or HDPE, they differ greatly in performance and application from the LLDPE and HDPE products being produced by JG Summit, and do not compete with them in any manner. • Additional safeguard measures, if implemented will negatively impact local cable manufacturers in the Philippines by increasing their costs significantly and lowering their ability to compete against cable imports from other countries as well as their export competitiveness.

	• Therefore, the W&C compounds sold by DCPL should be excluded from the scope of this safeguard investigation.
Factors Considered to be the Cause of the Serious Injury	• The serious injury claimed by JG Summit, if any injury can be established at all, could relate only to LLDPE/HDPE imports that are similar to the products produced by JG Summit. • The W&C compounds sold by Dow's W&C business through DCPL are not similar to the products sold by JG Summit and therefore, do not impact the sales of JG Summit products or cause any injury. Dow's W&C compounds sold through DCPL are neither like nor directly competitive products. Thus, Dow's W&C compounds sold through DCPL cannot be the cause of any alleged injury.
General Comments	• Currently, cable imports to the Philippines attract zero duty while cable compounds such as the ones supplied by Dow's W&C business sold through DCPL and imported by local cable makers attract 3% duty for LLDPE-based compounds and 10% for HDPE/LDPE-based compounds. • Most of the utility companies in the Philippines purchase power cables through international tenders that are open to both domestic and overseas suppliers. The existing import tariffs on cable compounds already pose a competitive disadvantage to local cable producers who need to import the cable compounds to produce the cables, whereas international cable producers, in contrast, can sell the final cable without any importation tariff. In such a situation, any further imposition of a duty resulting from safeguard measures will only serve to render the domestic industry even more uncompetitive and threaten the very existence and growth of the domestic cable industry. • DCPL believes power and telecommunications transmission demands are rapidly rising in the Philippines as driven by economic growth and urbanization of cities. Hence, local cable manufacturers' business growth and competencies are becoming increasingly vital to address these needs. DCPL firmly believes that safeguard measures, if imposed, will stifle the growth of the local cable industry and adversely impact the ability of local cable manufacturers to compete with overseas suppliers. • Dow's W&C compounds sold through DCPL and imported by Philippine cable producers are not similar to the LLDPE and HDPE products produced by KG Summit and therefore are not the cause of any injury. • As most PE compounded products for W&C are currently being imported from outside of the Philippines, safeguard measures will only serve to increase the cost to local cable manufacturers and negatively impact their ability to compete effectively in the export markets.

	• Safeguard measures can potentially increase the cost of domestic power and telecommunications projects undertaken by local utilities companies, as well as the cost of government infrastructure projects, due to the increased raw materials cost of local W&C manufacturers. In the absence of competitive domestic suppliers, the prices of imported cables could rise, thereby increasing the cost of domestic power projects and government infrastructures.

A.1.e Foreign Embassies

The following foreign embassies submitted their comments relevant to the investigation:

1. Government of Indonesia (GOI)

On 9 September 2020, the Government of Indonesia (GOI) - Directorate General of Foreign Trade submitted its position requesting for exclusion pursuant to Article 9.1 of the WTO Agreement on Safeguards given the facts that based on the initiation report, imports from Indonesia were relatively low, even below 3%, and the imports from all developing countries with less than 3% import share were collectively below 9% imports.

2. Government of Mexico

On 11 September 2020, the International Commercial Practices Unit of the Secretariat of Economy of Mexico sent a request to exclude imports of the product originating from Mexico pursuant to Article 9.1 of the WTO Agreement on Safeguards. The Government of Mexico would like to express that according to their data from the UN Comtrade Database, the export of Mexican products to the Philippines from January 1, 2015 to June 30, 2020 are less than 3% of the total imports during the period.

3. Ministry of Commerce of the Kingdom of Thailand, Department of Foreign Trade (DFT)

On 15 September 2020, DFT submitted its position requesting the termination of the investigation in view that there is no evidence that can constitute a prima facie case for the initiation of SG measure on the importation of HDPE.

- Unforeseen Development
  - It is not clear how cost-advantaged of the US and Middle East Petrochemical plants, the US-China trade war, increase in price of HDPE in Russia, new trade regulations and COVID-19 result in the increase in imports of HDPE in the Philippines. There is no logical connection between these alleged unforeseen developments and the increase in imports of HDPE.

- Volume of Imports
  - Increase in HDPE imports is not recent enough, sudden enough, sharp enough and significant enough, both quantitatively and qualitatively. There was only significant surge in imports of HDPE in 2016 due to an extremely low import volume in 2015. Volume of imports steadily increased during 2016 to April 2020.

- Causation
  - It is not sufficient to state that there is a causal link between the increase in imports and the serious injury to the domestic industry. A full analysis of the causal link and the non-attribution requirement ought to be provided.

- Public Interest
  - Imposition of SG measures against HDPE would directly create adverse effect upon industries as well as consumers since HDPE is an essential material of plastic products, thus, it could be more harmful than beneficial to the domestic industry.

- Right to any trade compensation
  - In accordance to Article 8.1 and 12.3 of the WTO Safeguard Agreement, Thailand reserves its right to any form of trade compensation substantially equivalent to the level of concessions and other obligation under WTO affected by such imposition of safeguard measure.

4. Ministry of Industry and Trade of Viet Nam

On 22 September 2020, TRAV submitted its position requesting for exclusion of Vietnamese producers/exporters pursuant to Article 2.1 and Article 9.1 of the Agreement on Safeguards. Within the recent past, imports originating from Viet Nam was negligible and could not be considered as a major source of imports and its impact was also absolutely insignificant to cause or threaten to cause serious injury to the domestic industry.

Imports of major source of HDPE (Thailand, Malaysia, Singapore and Saudi Arabia) accounted for 89.08% while other sources including Viet Nam accounted to 10.92% of total imports. Among these, the developing countries with less than 3% import share (Viet Nam- 0.02%) collectively accounted for 6.73% which is less than the 9%.

Imports of major source of LLDPE (Singapore, Thailand, Qatar, Saudi Arabia, Malaysia, Republic of Korea, Canada and the United States) accounted for 96.42% while other sources including Viet Nam (0.05%) accounted to 3.58% of total imports.

5. European Free Trade Association (EFTA)

On 24 September 2020, the Trade Relations Division of EFTA provided a note requesting to exclude imports of Polyethylene Pellets and Granules from EFTA States in any safeguard investigations and application of global safeguard measures in line with Article 2.14 of the EFTA-Philippines Free Trade Agreement. Total value of imports from Switzerland, was USD 0.3 Million from 2015 to 2019 while no imports have been registered from Iceland and Norway. Accordingly, EFTA States cannot be considered a substantial cause of serious injury or threat thereof.

6. Ministry of Trade of the Republic of Turkey

On 28 September 2020, the Embassy of Turkey transmitted the letter of the Directorate General Exports, Ministry of Trade of the Republic of Turkey requesting for exemption pursuant to Article 9.1 of the WTO Agreement on Safeguards. Based on the International Trade Center (Trade Map), Turkey does not export the subject products to the Philippines.

7. Embassy of Japan

On 30 September 2020, the Embassy of Japan sent an email that the Government of Japan does not have any comments or concerns on the preliminary safeguard measures investigation since Japan has minimal exports of the subject products to the Philippines.

8. The Government of the State of Qatar

On 17 November 2020, the Permanent Mission of the Republic of the Philippines to the WTO transmitted a communication received from the Permanent Mission of Qatar to the WTO after the meeting of the Committee on Safeguards held last October 26. They conveyed to the Mission their concern with the investigation, in particular, the seeming lack of compliance with the concept of unforeseen developments and the need to exclude developing countries (including Qatar) with de minimis import shares as per Article 9.1 of the Safeguards Agreement.

Based on available statistics, the volume of HDPE imports from Qatar were negligible (mere 0.84% of the volume in 2019 and during the POI, significantly less than 3%). In 2019, the collective imports from developing countries accounted to 6.335% to total imports.

Based on preliminary analysis of the petition and the initiation report, there is no evidence of a sudden, sharp, significant or recent increase in imports of LLDPE caused by unforeseen developments; serious injury or threat thereof to the domestic industry; and a causal link, as required under the Agreement on Safeguards. Also, it is clear that any impairment in the performance of the domestic industry has been caused by matters related to actions by the Petitioner and not as a result of imports of LLDPE.

A.1.f Associations

The following associations submitted their comments relevant to the investigation:

1. Philippine Plastics Industry Association (PPIA)

On 9 and 14 September and 9 October 2020, PPIA (premier association of plastic fabricators, representing over 180 member manufacturers that employ 650,000 direct and indirect workers across the country) submitted their position and additional submissions opposing the safeguard duty sought by JGSPC on imported HDPE and LLDPE from various countries. PPIA reiterated their full support toward the establishment of an integrated and healthy Philippine Petrochemical Industry and this can only be realized with a strong healthy downstream plastics manufacturing industry along with the allied industries they serve.

Domestic Industry	• The Philippine industry should not be attributed to the petrochemical sector alone (JGSPC), but rather the entire supply value chain including the Plastic Manufacturing and Converting Industry and the Packaging and Retail Industry that it serves
Volume of Imports	• Data presented by the proponent in its application versus the initiation report had huge difference. • The 2015 HDPE data of DTI's initiation report is erroneous and needs to be double check with data from PSA and BOC. Such records will show steady growth of the sector and no such abrupt increase had been experienced and recorded by the industry. • Inconsistent supply and JGSPC's inability to supply the domestic PE market due to Cracker shutdowns and PE plant issues are the main causes of the alleged import surge. • The current capacity is not enough to fill the demand of local downstream industry and import is needed. • PPIA's historical data (2015-2019) shows that imports range from around 40% to 50% Polyethylene demand. • Despite the inconsistent numbers from both sources, 2017 showed a year-on-year decline in imports (estimated by PPIA at 10% decrease from previous year or 36% of total demand.) This can be attributed when JGSPC reached 94% capacity utilization. This shows that the downstream manufacturing industry supports the midstream by procuring domestically produced resins when available. • JGSPC's failure to meet local demand requirements in 2018 prompted major industry players to secure their raw material requirements from dependable sources, such as imports. Major downstream players had no choice but to divert and commit volumes that used to be allocated to domestic resin producers to foreign suppliers to steady supply. (PPIA approached BOI in 2018 for assistance that led to a conference to address issues of lack of domestic supply and non-delivery orders by JGSPC. The failure to meet their commitments resulted to shutdown of downstream operations and order losses. No explanation was made by the resin producer during the meeting). • Hi Performance PE grades demanded by packaging industry are not locally available. Some of these include HDPE bimodal grades, LLDPE Metallocene, high clarity, seal thru contamination properties and hot tack properties in the form of C6 and C8 that JGSPC's current equipment, system and grades cannot attain despite claims of substitution.
Injury	• Based on the 2017 ad 2018 audited financial statement of JGSPC, sales were flattish as higher average selling prices of most products were pulled down by lower volumes especially on polymers and pygas. Profits significantly declined driven by higher naphtha prices while downstream pricing was not able to fully catch up for the period. • The 2018 sharp 22% decline in production to 72% of plant capacity utilization maybe attributed to the cracker monitored to run only 70% capacity for the months covering May to June, along with other commercial of operational concerns. • Contrary to the net losses that JGSPC presented as the reason for its application, it is earning billions every year as shown in the audited consolidated financial statements submitted to SEC on April 14 2020.

	• Petrochemical companies in other countries are expected to suffer losses during the first few years after huge expansion. • JGSPC did not lose money during the 5-year period in review in spite of the huge depreciation expenses.
Expansion Plans	• JGSPC's Q4 2020 additional 250,000 MT expansion plans to serve the Hi Performance PE grades market segment and make grades available leaves a bit of skepticism as the output volume vis-à-vis the ability for the market to absorb it is in question, and high quality and performance resins not only require a period of validation before use, but more importantly brand and manufacturer confidence on quality and consistency, which at present is still lacking from the local supplier based on its track record. • JGSPC's plan to expand and increase its production capacity to 520,000MT in 2021 will need to have a secured domestic or export market to be viable. Downstream industry should not be expected or mandated to procure 100% of its raw material requirement from a single source (principle of multi-supplier to ensure continuity of operation
Public Interest	• Any SG duty will put the downstream plastic manufacturing and converting industry at an unfair disadvantage. • A 30% tariff imposed on the raw materials will translate to a 15-20% cost for packaging material and finished goods putting the downstream industry to a gross disadvantage and drive markets to cheaper imports. Imports will not only be in the form of plastic products but of finished consumer goods products. • It runs contrary to the Go Lokal and Buy Pinoy programs as cheaper plastic finished products and products packages in plastics with a 0% duty in AFTA will flood our domestic market • Low tariff, free trade regime had proven to discourage smuggling activities and improve revenue collection to the government • Tariff distortion will result to closures of the SME dominated downstream industry and loss of jobs to thousands of Filipinos. • Granting the request for SG duty will benefit a large conglomerate at the expense and demise of thousands of small businesses. The local plastic downstream industry can no longer afford to make sacrifices (over 20 years) in favour of the Midstream sector which can be considered as a monopoly with a sole operating entity in the market.
Other issues	• Granting a safeguard duty does not assure the competitiveness and viability of JGSPC's operation as by their own admittance, market conditions, economic/supply/demand trends, dependence on imported naphtha and volatile prices, ethane and shale cost advantages, scale of operations and many others are the main challenges in the viability of the domestic midstream industry.

On 2 October 2020, PPIA submitted their additional comments reiterating that the safeguard duty imposition will only benefit JGSPC and will make in a disadvantageous position the downstream plastic manufacturing and converting industry relying on HDPE and LLDPE products, to name few:

- Food and beverage
- Agriculture

- Pharmaceutical
- Medical and Health Institutions
- Constructions
- Communications and Utilities
- Automotive
- Garments and Footwear

Further, the following arguments on why the petition for safeguard protection should be denied were mentioned and reiterated:

- JGSPC does not technically fall under the scope of the definition- domestic producers taken collectively as a whole.
- Disadvantageous impact to the competitiveness of the downstream industry as such imposition will restrain or limit the assurance and availability of competitive source/supply options for the downstream converters
- Impact on government collection where MFN sources of LLDPE and HDPE contributed more tariff revenues to the government while enabling competitiveness to local downstream.
- Impact on innovation and new product solutions, i.e. imposition of SG will discourage the introduction of innovation to the local packaging industry
- Profitability of JGSOC and JGSPC are always reported on consolidated basis and not losing money
- JGSPC should not be safeguarded at the expense of the local downstream industry
- Profitability of JGSOC and JGSPC, amid huge incentives by the government, are dictated by market forces. (JGSPC's capacity expansion project was granted by BOI in 2014 fiscal incentives such as tax holidays and duty free importation of capital equipment, as well as tax credits on locally purchased equipment.)

PH is a net importer of PE film and finished products, which means that local plastic downstream manufacturers and converters are already competing in an international level. At such, local plastic downstream manufacturers and converters need to purchase their raw material at a competitive global markets price to compete against imported PE films and products.

They further reiterated the problem they face on severe delays and difficulties in sourcing from local pellet manufacturers and suggested that JGSPC and local players need to manage and improve its reliability, quality and production costs. Otherwise, they will be less competitive compared to imported plastic products.

PPIA pleaded to not impose the provisional measure. The Filipinos stand to lose from the tariff imposition. Also, it will cause irreparable damage to member companies as the market is driven to foreign imports- not only on packaging materials, but also in the form of finished products and goods. This added burden places additional job loss risks and downsizing to companies battling the challenging business environment brought about by COVID-19 pandemic

2. Chamber of Philippine Electric Wires and Cables Manufacturers, Inc. (PEWMA)

On 10 October 2020, PEWMA provided its position stating that the claim of JGSPC that the importation of HDPE and LLDPE into the country in increased quantities as to be a substantial cause of serious injury to the local industry is baseless and pathetically absurd.

The DTI's concern for local industries, while laudable, is unfortunately ill-informed and inapplicable:

- Electrical grade HDPE and LLDPE are not being locally produced by JGSPC nor by any local petrochemical company, thus, the need for importation of the said raw material requirement of the local electric wire and cable industry
- JGSPC's interest in developing a wire and cable PE grade for domestic wire and cable industry is mutually beneficial provided that supply security is secured, price and terms are competitive, and consistent product quality is invariably maintained.

PEWMA highly support and welcome the establishment of locally produced raw materials because of the mutually beneficial effects of self-sustaining stability, provided that in attaining thus, destructive monopoly is not created.

A.2. Additional Documents Submitted by the Petitioner

On 27 November 2020, JGSPC submitted additional information on products, production, pricing, employment, among others.

1. **On Product-related concerns: HDPE**

Bimodal HDPE products: Under its current technology JGSPC has, in the last several years, been developing bimodal HDPE products, including for film and for PE 100 pipe applications. These products have been made available to the local market for testing and quality acceptance. Side-by-side internal comparison of JGSPC's bimodal HDPE products with some imported alternatives shows comparable performance. Customers that represent 59% of the local market demand for bimodal film have found the product acceptable. In addition, JGSPC's bimodal HDPE pipe product has been certified as PE-100. JGSPC intends to ramp up production of these products in 2021. Furthermore, the new PE Plant once completed will allow JGSPC to expand its bimodal HDPE product portfolio.

Special wires and cables grades, and rotational molding grades in powder form. Again, JGSPC does not offer these products in its current portfolio. These are niche markets characterized by special requirements and relatively small market size.

2. On Quality Issues

JGSPC's current UNIPOL^{TM} PE Technology is one of the world's most widely used PE technologies, having more than 165 licensed reactor lines in 28 countries with total capacity of more than 48 million tons per annum. Furthermore, JGSPC's upcoming new PE plant will use the MarTech^{TM} Technology, which is one of the world's leading PE technologies with more than 80 plants in 20 countries. Both the UNIPOL™ PE Technology and the MarTech™ Technology are the same technologies being used to produce many of the imported PE products.

More importantly, in JGSPC's annual customer satisfaction survey, its current EVALENE® products consistently received very high satisfaction rating from its customers for product quality performance, 90% rating in 2019 and 93% in 2020. Additionally, JGSPC's significant market shares in the local industry, peaking at their highest levels within the period of investigation of 64% for HDPE and 43% for LLDPE in 2017, indicate the wide acceptance of its products by the market overall, although such market shares have been eroded in recent years due to surge in imports.

3. On Supply Concerns

A typical petrochemical plant such as JGSPC's undergoes scheduled periodic maintenance to maintain reliability and operability. Hence, the need for periodic shutdowns. Customers were advised of these maintenance schedules in advance to allow them to plan accordingly. It is important to emphasize that JGSPC has no record of any customer's orders that were undelivered or cancelled.

4. On Production

JG Summit Olefins Corporation (JGSOC) is the subsidiary of JG Summit Holdings, Inc. that produces olefin feedstock and supplies ethylene feedstock to its affiliate, JGSPC. JGSOC is a distinct and separate business entity from JGSPC. There were periods when JGSOC exported ethylene due to market factors, when PE prices dived sharply and it made better economics for olefins producers such as JGSOC to sell ethylene for export for better returns, than to sell to PE manufacturers (i.e. JGSPC).

Components of JGSPC's adjustment plan are being undertaken precisely to improve competitive advantage, improve on costs, plant reliability, production efficiency and output. Once completed, the local market stands to benefit with the availability of an expanded product portfolio and more competitive prices from JGSPC. These investments on capacity expansion, productivity improvements and capability enhancements are proof of JGSPC's continuous commitment to the local industry.

5. On Employment/Productivity

Pre-hiring of personnel for upcoming new builds is required for training, for them to acquire the expertise and skills as the technology involved is complicated and advanced. Pre-hiring usually averages to one year of training. Nonetheless, JGSPC's direct labor cost constitutes less than 2% of cost of production. Hence, impact of pre-hiring of personnel is very minimal.

6. On Pricing-related concerns

JGSPC pricing policy is import parity, based on industry available, market published regional pricing. However, as seen in the preliminary investigation reports of the DTI released on 28 August 2020 for both applications, instances of price undercutting, price suppression and price depression were found in recent years. This is further proved in the data provided under both Safeguards Applications for HDPE and for LLDPE.

Comparison of JGSPC's cost of production per unit with estimated Imports Ex-Works prices per unit for both HDPE and LLDPE shows that the domestic company's cost to produce is higher than the price of the imported product, resulting to losses for JGSPC for most of the period of investigation.

Table 1: JGSPC Cost of Production and Ex-Works Prices for Imported HDPE and LLDPE, per metric ton

Year	HDPE*		LLDPE*	
	Value (Php/MT)			
	JGSPC Cost of Production	Imports Ex-Works	JGSPC Cost of Production	Imports Ex-Works
2015	100	100	100	100
2016	90	94	88	97
2017	101	102	99	104
2018	113	91	111	88
2019	107	94	109	93
2020 (Jan-Sep)	-	-	-	-

Notes: 1. Based on importation entries from BIS data that were identified as HDPE under tariff heading 3901.20.00, and as LLDPE under tariff headings 3901.10.12, 3901.10.92, 3901.40.00 and 3901.90.90.
2. Imports Ex-Works is calculated based on FOB prices from BIS data, less estimated local freight and brokerage & port charges.
*Figures indexed due to confidentiality

6.1 Country-specific consideration

The table below shows that imports from certain identifiable countries are evidently coming into the Philippines at prices very much lower than JGSPC's cost of production. For a level playing field, relief from such imports especially from those countries is sought. Safeguard measures may be considered as protection against such low-cost sources, which export products to the Philippines at prices lower than market pricing, to the detriment of the local industry.

Table 2: JGSPC Cost of Production for HDPE and Ex-Works Prices for Imported HDPE from Top Ten country sources, per metric ton

Year	HDPE*					
	Value (Php/MT)					
	JGSPC Cost of Production	Imports Ex-Works (Thailand)	Imports Ex-Works (Singapore)	Imports Ex-Works (Malaysia)	Imports Ex-Works (Saudi Arabia)	Imports Ex-Works (USA)
2015	100	100	100	100	100	100
2016	90	96	96	93	89	63
2017	101	103	105	99	97	69
2018	113	91	91	90	92	60
2019	107	96	96	94	88	59
2020 (Jan-Sep)	-	-	-	-	-	-

Notes: 1. Based on importation entries from BIS data that were identified as HDPE under tariff heading 3901.20.00.
2. Imports Ex-Works is calculated based on FOB prices from BIS data, less estimated local freight and brokerage and port charges.
*Figures indexed due to confidentiality

Year	HDPE*					
	Value (Php/MT)					
	JGSPC Cost of Production	Imports Ex-Works (Taiwan)	Imports Ex-Works (Indonesia)	Imports Ex-Works (UAE)	Imports Ex-Works (Qatar)	Imports Ex-Works (China)
2015	100	100	100	100	100	100
2016	90	94	96	95	112	91
2017	101	97	99	123	125	123
2018	113	89	89	90	92	80
2019	107	89	99	86	113	83
2020 (Jan-Sep)	-	-	-	-	-	-

Notes: 1. Based on importation entries from BIS data that were identified as HDPE under tariff heading 3901.20.00.
2. Imports Ex-Works is calculated based on FOB prices from BIS data, less estimated local freight and brokerage and port charges.

*Figures indexed due to confidentiality

7. On Safeguard Measures

JGSPC stated that the relief being sought is protection from significantly much lower pricing of imported products from various countries. Such relief will serve as protection to JGSPC and the industry as a whole to remain competitive. Otherwise, the local industry will continue to suffer financially and lose market share to cheaper imported products. Without the local petrochemical industry, consistency and availability of local supply will be imperiled if the downstream plastics industry is to rely solely on imported products.

IV. APPRECIATION OF AVAILABLE EVIDENCE

Rule 6.5.c of the IRR states:

"Whenever any interested party fails to respond adequately or is unable to produce information requested, refuses access to, or otherwise does not provide any other information within the period allowed for the investigation, or otherwise significantly impedes the investigation, the preliminary determination of the conditions required in a safeguard investigation shall proceed on the basis of facts derived from the evidence at hand. Even though the information provided by an interested party may not be complete in all respects, this shall not be disregarded provided the interested party is deemed to have acted to the best of his ability."

The DTI evaluated and considered all the information provided by the interested parties.

V. 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. The Elements Required by Law

As stated under Section 5 of RA 8800 and its IRRs *"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, 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".*

C. Relevant Provisions

Section 6 paragraphs 1 and 2 of RA 8800 states that *"any person, whether natural or juridical, belongings 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".*

D. Period of Investigation

The POI covers imports of HDPE from 2015 to 2019.

The domestic industry alleged that from 2017 onwards, the HDPE industry has struggled against the increasing volumes of imports, owing to increasing overcapacity of producers worldwide. The local producer is currently expanding capacity further in response to increasing local market volume demand, but has been finding it difficult to compete for the past three years as the import volumes have surged and may continue to surge without the imposition of appropriate safeguards. The industry further stated that this imperils not just the existing investments of the local industry but also its ongoing capacity expansion.

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

E. Determination of Increased Volume of Imports

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

E.1. Absolute Terms

The period of investigation covers HDPE imported into the Philippines from 2015 to 2019 and was updated until September 2020. All data were sourced from the Bureau of Customs (BOC), Single Administrative Document-Import Entry and Internal Revenue Document (SAD-IEIRD).

The initial finding in the initiation of investigation was further verified in the preliminary determination taking to consideration the documents and information received by DTI from interested parties.

In the determination on whether the increase in imports is the principal cause of serious injury to the domestic industry, DTI excluded the domestic industry's importations as well as products with different commodity descriptions from the product subject to the investigation (i.e. Polypropylene, polyethylene wax, ethylene acrylic acid copolymer, LDPE et al).

1.a Import Volume

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

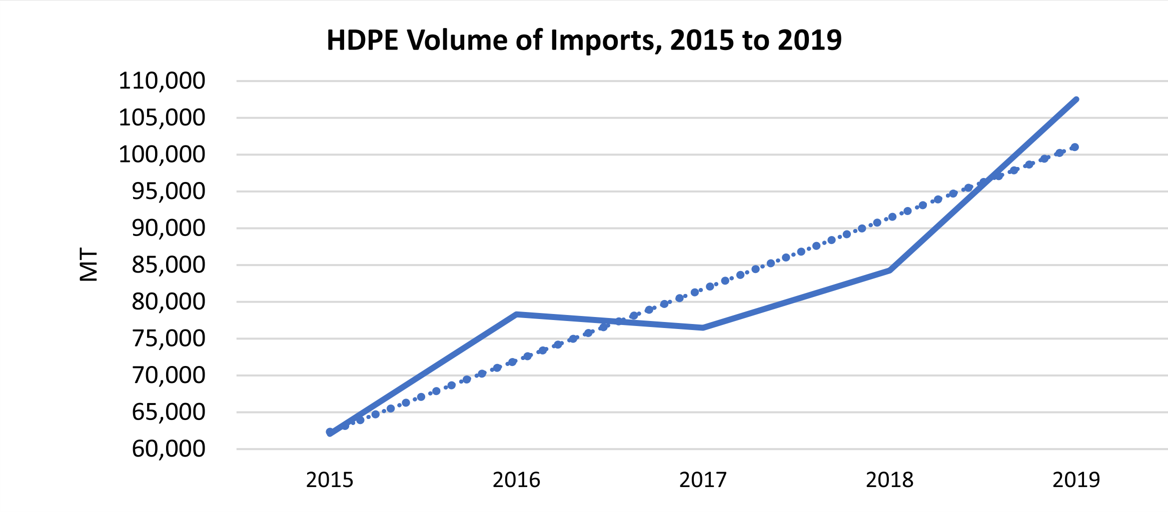


Table 1: Import Volume of High-Density Polyethylene - HDPE (2015 – Sep 2020) in MT

Year	**Period of Investigation (POI) – 2015 to 2019**					**2020 Jan to Sep**
	2015	**2016**	**2017**	**2018**	**2019**	
Volume	62,061	78,305	76,469	84,270	107,530	69,360
Absolute	-	16,245	(1,837)	7,801	23,260	-
Growth	-	26%	(2%)	10%	28%	-

Source: Bureau of Customs (SAD-IEIRD)

HDPE imports grew at a rate of 73 percent over the five (5) year period.

In 2015, the volume of HDPE imports totaled 62,061 MT and in 2016, it increased to 78,305 MT, or 26%. Imports dropped slightly to 76,469 MT, down 2% in 2017. In 2018, imports reached 84,270MT, an increase of 10% above 2017 figure. For 2019, imports recorded its highest level at 107,530MT. This indicates an increase of 23,260 MT or 28% from 2018 levels and 37% from 2016. In 2020 (January-September), imports reached 69,360 MT, or 65% of the 2019 level and 12% higher than the 2015 level.

It was observed that during the POI, there was a recent, sharp, sudden and significant upward trend in HDPE imports.

1. b. Share of Imports (by Country)

Table 2.a: Share of Imports (by Country) HDPE (2015 – September 2020) in MT

COUNTRY	2015	% Share	2016	% Share	2017	% Share	2018	% Share	2019	% Share	2020 Jan-Sep	% Share
Thailand	25,282	41	29,710	38	23,717	31	29,687	35	32,247	30	17,503	25
Malaysia	13,920	22	12,872	16	10,158	13	19,972	24	31,596	29	20,328	29
Singapore	15,871	26	22,134	28	19,606	26	16,258	19	21,537	20	17,393	25
Saudi Arabia	2,027	3.3	5,211	7	13,423	18	11,963	14	11,622	11	4,246	6
United States	44	0.07	1,659	2.12	1,853	2.42	915	1.09	4,655	4.33	4,353	6
Indonesia	1,186	1.91	1,360	1.74	2,393	3.13	805	0.96	1,402	1.30	2,588	4
Major Sources	***58,330***	***94***	***72,946***	***93***	***71,150***	***93***	***79,600***	***94***	***97,002***	***96***	***66,411***	***96%***
Other Sources	***3,732***	***6***	***5,361***	***7***	***5,321***	***7***	***4,671***	***6***	***10,528***	***4***	***2,950***	***4%***
Total (Major & Other Sources)	**62,061**	**100%**	**78,307**	**100%**	**76,469**	**100%**	**84,270**	**100%**	**107,530**	**100%**	**69,360**	**100%**

Source: Bureau of Customs (SAD-IEIRD)

The Top 4 Philippine suppliers of HDPE are Thailand, Malaysia, Singapore, and Saudi Arabia throughout the POI. Imports from the said countries exceed the de minimis volume requirement of 3%.

OTHER SOURCES

Other Sources include UAE, Japan, US, Republic of Korea, Indonesia, PROC, Kuwait, Austria, Chinese Taipei, Belgium, India, Finland, Netherlands, Qatar, Germany, Russia, Hong Kong, Viet Nam, Brazil and Turkey.

Table 2.b: Share of Imports (by Country) HDPE (2015 – Sep 2020) in MT

COUNTRY	2015	% Share	2016	% Share	2017	% Share	2018	% Share	2019	% Share	2020 Jan to Sep	%s Share
United Arab Emirates	3,000	5%	866	1%	847	1.11%	769	0.91%	867	0.81%	396	1%
Japan	190	0.31%	116	0.15%	280	0.37%	413	0.49%	339	0.32%	222	0%
Republic of Korea	130	0.21%	502	0.64%	-	-	3	0.00%	237	0.22%	72	0%
PROC	182	0.29%	1,235	1.58%	124	0.16%	343	0.41%	949	0.88%	523	1%
Kuwait	101	0.16%	198	0.25%	149	0.19%	-	-	50	0.05%	50	0.07%
Austria	2	0.004%	1	0.00%	-	-	-	-	-	-	-	-
Chinese Taipei	36	0.06%	537	0.69%	3,560	4.66%	1,409	1.67%	734	0.68%	863	1%
Belgium	28	0.04%	-	0.00%	-	-	-	-	-	0.00%	-	-
India	1	0.001%	-	-	-	-	-	-	-	-	-	-
Finland	-	-	6	0.01%	-	-	-	-	21	0.02%	-	-
Netherlands	-	-	192	0.25%	44	0.06%	44	0.05%	69	0.06%	22	0.03%
Qatar	51	0.08%	271	0.35%	67	0.09%	1,036	1.23%	934	0.87%	459	0.66%
Germany	11	0.02%	1	0.00%	-	-	22	0.03%	-	-	-	-
Russia	-	-	1,436	1.83%	-	-	-	-	-	-	-	-
Hong Kong	-	-	-	-	250	0.33%	372	0.44%	243	0.23%	112	0.16%
Viet Nam	-	-	-	-	-	-	161	0.19%	24	0.02%	192	0.28%
Brazil	-	-	-	-	-	-	99	0.12%	6	0.005%	15	0.02%
Turkey	-	-	-	-	-	-	-	-	-	-	24	0.03%
Other Sources	**3,732**	**6.01%**	**5,361**	**6.85%**	**5,321**	**6.96%**	**4,671**	**5.54%**	**4,473**	**4.16**	**2,950**	**4.25%**

Source: Bureau of Customs (SAD-IEIRD)

De minimis Import Volume

Rule 13.1.d. of the IRR of RA 8800 (The Safeguard Measures Act) 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."*

Developing countries whose individual shares of total imports of HDPE were below the 3% threshold and that their collective imports did not exceed 9% of total imports during the POI will be excluded from any safeguard remedy.

E.2. Relative Terms

Table 3: Comparison of Volume of Imports to Domestic Production of HDPE, (2015-2019) in MT

Year	Imports	Domestic Production*	% Share of Imports to Domestic Production
2015	62,061	100	*xxx*
2016	78,305	110	*xxx*
2017	76,469	114	*xxx*
2018	84,270	115	*xxx*
2019	107,530	94	*xxx*
2020 (Jan-Sep)	69,360	63	*xxx*

Sources: Bureau of Customs (BOC-SAD-IEIRD) – Import Volume
Domestic Industry – Domestic Production
*Figures indexed due to confidentiality

The share of HDPE imports increased from 2015 to 2016 but declined in 2017. It rose to 2018 and further in 2019. Thus, it was observed that imports of HDPE relative to domestic production significantly increased during the POI.

VI. EVIDENCE OF SERIOUS INJURY

Rule 3.1 of the IRRs of RA 8800 provides that "a general safeguard measure under Chapter II of these IRRs shall apply where there is an increase in the quantity of a product being imported, whether absolute or relative to the domestic production, which is determined to be a substantial cause of serious injury or threat thereof to the domestic industry".

Section 4 (o) of RA 8800 also provides that *"a serious injury shall mean a significant impairment in the position of the 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".*

Section 12 of RA 8800 further provides that *"in reaching a positive determination that the increase in the importation of the product under consideration is causing serious injury or threat thereof to a domestic industry producing like products or directly competitive products, all relevant factors having a bearing on the situation of the domestic industry shall be evaluated. These shall include, in particular, the rate and amount of the increase in imports of the products concerned in absolute and relative terms, the share of the domestic market taken by the increased imports, and changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment.*

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	HDPE IMPORTS (MT)		DOMESTIC SALES VOLUME (MT)*	TOTAL APPARENT PHILIPPINE MARKET (MT)*	% Increase Decrease	MARKET SHARE		
						Imports		Domestic Sales
	Importers/ Traders	JGSPC				Importers/ Traders	JGSPC	
2015	62,061	-	100	100	-	*xxx*	-	*xxx*
2016	78,305	4	119	122	22%	*xxx*	*xxx*	*xxx*
2017	76,469	7	138	132	9%	*xxx*	*xxx*	*xxx*
2018	84,270	-	136	136	3%	*xxx*	-	*xxx*
2019	107,530	1	120	140	3%	*xxx*	*xxx*	*xxx*
2020 Jan-Sep	69,360	-	79	91	-	*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 grew during the POI. In 2016, the apparent Philippine market increased by 22%, as imports increased by 26%, while the domestic sales volume increased by 19%. It continued to increase by 9% in 2017. In 2018, apparent consumption expanded by 3% as imports increased by 10% while domestic sales slightly declined by 1%. In 2019, there was a 3% growth in the apparent demand due to the 28% increase in imports while the domestic sales dropped by 12%. In 2020 (Jan to Sep), consumption demand declined by 35%. The industry was severely impacted by the COVID health pandemic due to lockdowns causing shutdown of customers' plants, sudden dive in prices and drop in demand, not just locally but worldwide.

The share of HDPE imports (non-manufacturers) relative to the total Philippine market significantly increased from 2017 to 2019 while the domestic industry's imports accounted for less than one percent during the POI. JGSPC imported a competitor HDPE resin for trial purposes in relation to packaging material development.

On the other hand, the share of domestic sales volume to the Philippine market declined from 2017 to 2019. In 2020 (Jan to Sep), the share of imports recorded 45% while share of industry at 55%. According to the industry, they were forced to adopt an import parity pricing to protect and defend their market share, and as such is forced to sell its products at a price below its cost to produce and sell. The industry's market share contracted 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)
2020 (Jan-Sep)	79	65.52**	64	50.83**

Source: Domestic Industry
*Figures indexed due to confidentiality
**percentage based on the 2019 level

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%. As of the 3rd quarter of 2020, sales volume and value is 66% and 51% of the 2019 level, respectively.

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.

In addition, the petrochemical industry was severely impacted by the Covid-19 pandemic due to lockdowns causing the shutdown of customers' plants, sudden dive in prices and drop in demand, not just locally but worldwide. Even at the height of the enhanced community quarantine, the company continued manufacturing operations at 100% capacity even on skeletal workforce to be able to supply these all-important raw materials used for wide array of essential products and services, as the country deals with the pandemic.

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)
2020 (Jan-Sep)	56	89.39**	39	63.46**

Source: Domestic Industry
*Figures indexed due to confidentiality
**percentage based on the 2019 level

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. As of the 3rd quarter of 2020, sales volume and value is 90% and 63% compared to the 2019 level, respectively.

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	2020 (Jan-Sep)
Production (MT)*	100	110	114	115	94	63
% Increase (Decrease)	-	9.82	3.73	0.71	(17.73)	66.51**

Source: Domestic Industry
*Figures indexed due to confidentiality
*percentage based on the 2019 level

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. As of the 3rd quarter of 2020, production volume is 67% compared to the 2019 level.

According to the domestic industry, they tried to maintain approximately *xxx* of production volume in 2018 to maintain its market share. However, production volume was reduced to *xxx* 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)
2020 (Jan-Sep)	75	66	67.75	0.50

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. As of 3rd quarter of 2020, capacity utilization slightly increased by 0.50% despite the shutdown of PE plants in Q1 for turnaround maintenance. However, 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 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)
2020 (Jan-Sep)	86	46.85**	87	36.08**

Source: Domestic Industry
*Figures indexed due to confidentiality
**percentage based on the 2019 level

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 at a certain level. In 2019, the inventory volume and value declined by 14% and 31%, respectively as the industry managed their production output to mitigate further losses. As of the 3rd quarter of 2020, finished goods inventory volume and value is 47% and 36% compared to 2019 level, respectively.

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	2020 (Jan-Sep)
Raw Materials*	94.2	93.9	90.1	93.6	92.7	82.8
Direct Labor*	0.6	0.7	0.2	0.2	0.2	0.3
Manufacturing Overhead*	5.2	5.4	9.8	6.2	7.1	16.9
Cost to Produce (per MT)*	**100**	**100**	**100**	**100**	**100**	**100**
% Increase (Decrease)**	**-**	**(9.93)**	**12.37**	**12.04**	**(5.30)**	**(23.11)**

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% and further declined by 23% in 2020. The decline of cost of production in 2020 is primarily attributed to decline in raw material cost by 31%.

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.

In addition, the domestic industry claimed that it was significantly affected by the issuance of Executive Order No 113, which was in effect for the duration of Bayanihan Heal as One Act. Particularly, the EO imposed additional 10% excise duty to naphtha and LPG, raw materials to petrochemical products, which posed additional burden to the local petrochemical industry and made it even more uncompetitive compared to imported products which were not imposed with any additional tariff during the said period.

G. Profit and Loss

Table 11: Earnings Before Interest and Taxes

Particulars	2015	2016	2017	2018	2019	2020 (Jan-Sep)	% Increase (Decrease) (2015 vs.2016)	% Increase (Decrease) (2016 vs.2017)	% Increase (Decrease) (2017 vs.2018)	% Increase (Decrease) (2018 vs.2019)	% Compared to 2019 level
Sales*	100	112	141	164	126	64	12.50	25.15	16.48	(22.92)	50.83
Cost of Goods Sold*	100	112	143	168	133	67	11.69	28.15	17.13	(20.64)	50.70
Gross Profit*	100	132	85	77	(32)	(12)	31.88	(35.69)	(9.61)	(141.98)	38.42
Selling, General and Administrative Expenses*	100	137	68	86	31	96	36.69	(50.19)	25.86	(64.43)	316.37
Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)*	100	83	248	(13)	(648)	(1083)	**(15.64)**	**196.07**	**(104.97)**	**5,133.57**	166.87
Depreciation and Amortization*	100	81	158	238	186	197	(19.03)	94.65	51.66	(21.95)	105.71
EBIT*	(100)	(80)	(135)	(298)	(385)	(500)	(19.83)	69.32	120.05	28.93	130.21

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, respectively. As of the 3rd quarter of 2020, loss in EBITDA almost doubled compared to the 2019 level as the selling, general and administrative expenses tripled during the same period. 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. The highest loss (EBIT) was recorded as of September 2020.

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 per annum 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	2020 (Jan-Sep)
Sales (Million)*	100	112	141	164	126	64
EBITDA (Million)*	100	83	248	(13)	(649)	(1084)
Return on Sales	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
% Increase (Decrease)	-	(25.01)	136.58	(104.27)	(6,689.38)	(228.27)

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 ranged from *xxx* to *xxx* from 2015 to 2017. However, loss on sales were recorded from 2018 to 2020 ranging from *xxx* to *xxx*

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
2020 (Jan-Sep)	152	(9.66)	134	(25.59)

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. As of the 3rd quarter of 2020, employment declined by 10%.

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)
2020 (Jan-Sep)	66	152	*xxx*	(16.57)

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. As of the 3rd quarter of 2020, productivity declined by 17% but is expected to still increase by the year end with additional production for the 4th quarter.

K. Price Effects

1. Price Undercutting

Table 15: Ex-Work Price of Domestic Product vs. Landed Cost of Imported Product for 2019 and 2020 (Jan-Sep) (₱ in MT)

Year	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
2019	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)

2020	Thailand	*xxx*	25	*xxx*	(3.49)
	Malaysia	*xxx*	29		0.50
	Singapore	*xxx*	25		(8.69)
	Saudi Arabia	*xxx*	6		(3.91)
	United States	*xxx*	6		1.71
	Wtd. Average	***xxx***	100		**(4.41)**

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.

For 2020 (Jan-Sep), weighted average landed cost of imported HDPE from all sources is higher by 4.41% than the domestic ex-work price of HDPE

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)
2020 (Jan-Sep)	82	83	88	(5.12)

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 were recorded during the POI, 5% in 2015, 2% in 2017, 6% in 2019 and 5% in 2020 (Jan.-Sept.)

3. Price Depression

Table 17: Domestic Selling Price of Locally Manufactured HDPE (₱ 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)
2020 (Jan-Sep)	82	(22.74)

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 were recorded at 5% in 2016, 12% in 2019 and 23% in 2020 (Jan.-Sept.).

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.

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- 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.

M. Other Issues

- **Domestic Industry**

  - Philippine industry should not be attributed to the petrochemical sector alone (JGSPC), but rather the entire supply value chain including the plastic manufacturing and converting industry and the packaging and retail industry that it serves.

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".*

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

Also, JGSPC, for their local sales, primarily sells its HDPE resins directly to over 200 local plastic products manufacturers and secondarily through distributors.

- **Imports - There are no increased imports recent, sudden, sharp and significant enough to cause or threaten to cause serious injury.**

  - Inconsistent supply and JGSPC's inability to supply the domestic PE market due to Cracker shutdowns and PE plant issues are the main causes of the alleged import surge
  - JGSPC's failure to meet local demand requirements in 2018 prompted major industry players to secure their raw material requirements from dependable sources, such as imports. Major downstream players had no choice but to divert and commit volumes that used to be allocated to domestic resin producers to foreign suppliers to steady supply.
  - Hi Performance PE grades demanded by packaging industry are not locally available. Some of these include HDPE bimodal grades, LLDPE Metallocene, high clarity, seal thru contamination properties and hot tack properties in the form of C6 and C8 that JGSPC's current equipment, system and grades cannot attain despite claims of substitution.
  - Electrical grade HDPE are not being locally produced by JGSPC nor by any local petrochemical company, thus, the need for importation of the said raw material requirement of the local electric wire and cable industry.

JGSPC, a typical petrochemical plant undergoes scheduled periodic maintenance to maintain reliability and operability. Hence, the need for periodic shutdowns. Customers were advised of these maintenance schedules in advance to allow them to plan accordingly. It is important to emphasize that JGSPC has no record of any customer's orders that were undelivered or cancelled.

Special wires and cables grades, and rotational molding grades in powder form. Again, JGSPC does not offer these products in its current portfolio. These are niche markets characterized by special requirements and relatively small market size.

- **Serious Injury**

  - There is no current serious injury to the domestic industry brought about by the HDPE imports in terms of:
  - The 2017 and 2018 audited financial statement of JGSPC, sales were flattish as higher average selling prices of most products were pulled down by lower volumes especially on polymers and pygas.
  - Current capacity is not enough to fill the demand of local downstream industry and import is needed.
  - Profits significantly declined driven by higher naphtha prices while downstream pricing was not able to fully catch up for the period.
  - Contrary to the net losses that JGSPC presented as the reason for its application, it is earning billions every year as shown in the audited consolidated financial statements submitted to SEC on April 14 2020
  - Petrochemical companies in other countries are expected to suffer losses during the first few years after huge expansion
  - JGSPC did not lose money during the 5-year period in review in spite of the huge depreciation expenses

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.

Further, the local producer, in trying to maintain market share, has tried to produce volume greater than x x x MT per annum despite the poor financial returns that have started to be experienced from 2017 onwards.

Components of JGSPC's adjustment plan are being undertaken precisely to improve competitive advantage, improve on costs, plant reliability, production efficiency and output. Once completed, the local market stands to benefit with the availability of an expanded product portfolio and more competitive prices from JGSPC. These investments on capacity expansion, productivity improvements and capability enhancements are proof of JGSPC's continuous commitment to the local industry.

- **Expansion Plans**

  - JGSPC's Q4 2020 additional 250,000 MT expansion plans to serve the Hi Performance PE grades market segment and make grades available leaves a bit of skepticism as the output volume vis-à-vis the ability for the market to absorb it is in question, and high quality and performance resins not only require a period of validation before use, but more importantly brand and manufacturer confidence on quality and consistency, which at present is still lacking from the local supplier based on its track record.

JGSPC's current UNIPOL^{TM} PE Technology is one of the world's most widely used PE technologies, having more than 165 licensed reactor lines in 28 countries with total capacity of more than 48 Million tons per annum. Furthermore, JGSPC's upcoming new

PE plant will use the MarTech™ Technology, which is one of the world's leading PE technologies with more than 80 plants in 20 countries. Both the UNIPOL™ PE Technology and the MarTech™ Technology are the same technologies being used to produce many of the imported PE products.

More importantly, in JGSPC's annual customer satisfaction survey, its current EVALENE® products consistently received very high satisfaction rating from its customers for product quality performance, 90% rating in 2019 and 93% in 2020. Additionally, JGSPC's significant market shares in the local industry, peaking at their highest levels within the period of investigation of 64% for HDPE and 43% for LLDPE in 2017, indicate the wide acceptance of its products by the market overall, although such market shares have been eroded in recent years due to surge in imports.

- **Unforeseen Development**

  - It is not clear how cost-advantaged of the US and Middle East Petrochemical plants, the US-China trade war, increase in price of HDPE in Russia, new trade regulations and COVID-19 result in the increase in imports of HDPE in the Philippines.
  - There is no logical connection between these alleged unforeseen developments and the increase in imports of HDPE

Comparison of JGSPC's cost of production per unit with estimated Imports Ex-Works prices per unit for both HDPE and LLDPE shows that the domestic company's cost to produce is higher than the price of the imported product, resulting to losses for JGSPC for most of the period of investigation. Imports from certain identifiable countries are evidently coming into the Philippines at prices very much lower than JGSPC's cost of production. For a level playing field, relief from such imports especially from those countries is necessary.

- **Right to any trade compensation**

  - In accordance to Article 8.1 and 12.3 of the WTO Safeguard Agreement, Thailand reserves its right to any form of trade compensation substantially equivalent to the level of concessions and other obligation under WTO affected by such imposition of safeguard measure.

For the preliminary determination, notification and consultation requirements under Article 12 of the WTO Safeguards Agreement and Section 17 of RA 8800 and its IRR shall be complied with. Thus, the investigating authority will provide a venue for discussion on matters on trade compensation upon request by the other parties.

VII. PUBLIC INTEREST

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

Rule 8.2 of the IRR of RA 8800 states, *"in the case of non-agricultural products, the Secretary shall first establish that the imposition of the provisional safeguard measure would be in the public interest."*

The DTI informed the identified importers, foreign embassies of concerned countries, and associations relevant to the public interest clause.

Summary of Positions/ Comments (Public Interest)

In Opposition of SG Measures

- Imposition of SG measures against HDPE would directly create adverse effect upon industries as well as consumers since HDPE is an essential material of plastic products
- A 30% tariff imposed on the raw materials will translate to a 15-20% cost for packaging material and finished goods putting the downstream industry to a gross disadvantage and drive markets to cheaper imports. Imports will not only be in the form of plastic products but of finished consumer goods products.
- Safeguard duty imposition will make in a disadvantageous position the downstream plastic manufacturing and converting industry relying on HDPE products, to name few: Food and beverage; Agriculture; Pharmaceutical; Medical and Health; Institutions; Constructions; Communications and Utilities; Automotive; Garments and Footwear
- It runs contrary to the Go Lokal and Buy Pinoy programs as cheaper plastic finished products and products packages in plastics with a 0% duty in AFTA will flood our domestic market
- Granting the request for SG duty will benefit a large conglomerate at the expense and demise of thousands of small businesses that may experience closure which will result to loss of jobs. The local plastic downstream industry can no longer afford to make sacrifices (over 20 years) in favor of the midstream sector which can be considered as a monopoly with a sole operating entity in the market.
- Impact on government collection where MFN sources of HDPE contributed more tariff revenues to the government while enabling competitiveness to local downstream.
- Impact on innovation and new product solutions, i.e. imposition of SG will discourage the introduction of innovation to the local packaging industry.
- Granting a safeguard duty does not assure the competitiveness and viability of JGSPC's operation as by their own admittance, market conditions, economic/supply/demand trends, dependence on imported naphtha and volatile prices, ethane and shale cost advantages, scale of operations and many others are the main challenges in the viability of the domestic midstream industry

In Favor of SG Measures

- The relief being sought is protection from significantly much lower pricing of imported products from various countries.

- The relief will serve as protection to JGSPC and the industry as a whole to remain competitive. Otherwise, the local industry will continue to suffer financially and lose market share to cheaper imported products.

- Without the local petrochemical industry, consistency and availability of local supply will be imperiled if the downstream plastics industry is to rely solely on imported products.

VIII. FINDINGS

A. Volume of Imports

A.1 In Absolute Terms

- From 2015-2016, imports significantly increased by 16,245MT or 26%, slightly declined by about 1,840MT or 2% in 2017. Imports were up again by 10% in 2018 and 28% in 2019.
- Imported HDPE recorded a 73% growth rate over the five (5)-year period
- Imports in 2020 (Jan– Sep) reached 69,360 MT, or 65% of the 2019 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 36% in 2015 to 42% in 2016.
- Slightly declined to 39% in 2017; increased again to 43% in 2018 and further to 67% in 2019. Share of imports relative to domestic production recorded at 65% in Jan-Sep 2020.

B. Serious Injury

B.1. Market Size

- Total apparent consumption grew by 22% in 2016, 9% in 2017, 3% in 2018 and 2019.

B.2. Market Share

- The share of imports increased from 37% in 2015 to 46% in 2019 while imports of the domestic industry recorded a minimal share.
- The share of the domestic market declined from 63% in 2015 to 54% in 2019.

B.3. Domestic Sales Volume of Value

- Domestic sales volume declined by 1% in 2018 and further by 12% in 2019. In Jan-Sep 2020 sales volume was 66% of 2019 level.
- Sales value increased from 2016 to 2018. It went down by 23% in 2019 and in Jan-Sep 2020 sales value was 51% of 2019 level.

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 xxx to mitigate any further losses. For 3rd quarter of 2020, slightly increased by 0.50%.

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% in 2016 by 10%. Increased in 2017 by 12%, and an additional increase of 12% in 2018.
- In 2019, it declined by 5% and further declined by 23% in 2020.

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 their loss was reduced by 20%. However, losses worsen by 70% in 2017, 120% in 2018, and 29% further in 2019. The highest loss (EBIT) was recorded as of September 2020.

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. During the 3rd quarter of 2020, employment declined by 10%.
- Salaries and wages declined by 2% in 2016 and continuously increased from 2017 to 2019 by 24%, 6%, and 40%, respectively. During the 3rd quarter of 2020, it declined by 26%.

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. For the 3rd quarter of 2020, productivity declined by 17%.

B.8 Prices

a. Price Undercutting

- In 2019, price undercutting was recorded from Thailand, Malaysia, and the USA at 1%, 0.39%, and 7%, respectively.
- In 2020, price undercutting was recorded from Malaysia, and the USA at 0.50%, and 2%, respectively.

b. Price Depression

- Price depression was recorded at 5% in 2016, 12% in 2019 and 23% in 2020 (Jan-Sep).

c. Price Suppression

- Price suppression was recorded during the POI, 5% in 2015, 2% in 2017, 6% in 2019 and 5% in 2020 (Jan-Sep)

IX. CAUSATION

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

- The Philippine imports of HDPE showed a significant increase in volume from 2015-2016, imports increased by 16,245MT or 26%, slightly declined by about 1,840MT or 2% in 2017. Imports were up again by 10% in 2018 and 28% in 2019, in 2020 (Jan– Sep) imports reached 69,360 MT, or 65% of the 2019 level. Likewise, the share of imports relative to domestic production significantly increased during the investigation period (from 36% share in 2015 to its peak at 67% in 2019) preceded serious injury to the domestic industry.

- The conditions of competition showed that the market share of the domestic product decreased during the POI from 63% in 2015 to 54% in 2019, as the share of imports in the domestic market significantly increased.

- The industry suffered declines in sales, production, utilization rate, profitability and employment. Inventory increased by 169% in 2018. In terms of prices, price depression and suppression were also recorded during the POI as the industry is already selling below cost resulted to negative EBIT.

a) Imposition of Provisional Safeguard Measures

Section 8 of RA 8800 states that:

"in critical circumstances where a delay would cause damage which would be difficult to repair, and pursuant to a preliminary determination that increased imports are substantial cause of, threaten to substantially cause, serious injury to the domestic industry, the Secretary shall immediately issue, through the Secretary of finance, a written instruction to the Commissioner of Customs authorizing the imposition of a provisional general safeguard measures.

Such a measure shall take the form of a tariff increase, either ad valorem or specific, or both, to be paid out through a cash bond set at a level sufficient to redress or to prevent serious injury to the domestic industry x x x. The cash bond shall be deposited with a government depository bank and shall be held trust for the importer who posted the bond. The duration of the provisional measure shall not exceed two hundred (200) days from the date of imposition xxx".

Rule 6.2c of the IRR of RA 8800 states that:

"If the provisional safeguard measures are sought, petitioner must show that critical circumstances exist which warrant the imposition of such provisional relief".

b) Conclusion

The existence of a causal link between increased imports of the products under consideration and serious injury to the domestic industry has been established during the preliminary investigation. Petitioner failed to show that critical circumstances exist which would warrant the imposition of a provisional safeguard measure while the petition is under formal investigation. The Department shall transmit the case to the Tariff Commission for formal investigation.

X. 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^{TM} 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^{TM} 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 naphtha 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 plan 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

XI. 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

XI.b. Notification Requirement

Article 12.1 of the WTO Agreement on safeguards provides 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;
(b) making a finding of serious injury or threat thereof caused by increased imports; and
(c) taking a decision to apply or extend a safeguard measure.

On 04 September 2020, the Philippine Permanent Mission in Geneva was officially notified of the application for safeguard measures investigation on imported HDPE from various countries.

XI.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."

The Philippines is required to notify any safeguard action to the Senior Economic Officials Meeting (SEOM) and the ASEAN Secretariat before effecting such action or measure and adequate opportunity for consultation for the affected ASEAN Member States.

On 04 September 2020, the ASEAN Secretariat was notified of the application for safeguard measures investigation on imported HDPE from various countries.

XII. DECISION

The Department of Trade and Industry, acting under Sections 7 and 8 of RA 8800, otherwise known as the Safeguard Measures Act, after conducting a preliminary determination, and on the basis of the submissions of interested parties and pieces of evidence made available to the Department, finds that a causal link exists between increased imports of the products under consideration and serious injury to the domestic industry.

The case shall be forwarded to the Tariff Commission for the conduct of a formal investigation. A formal investigation by the Commission is wider in scope as it includes marathon public hearings which provides parties directly affected and interested parties the opportunity to be heard, present evidence, including the opportunity to respond to the presentations of other parties and submit their views.

The existence of critical circumstances was not established to warrant the imposition of a provisional safeguard measure.

The notification and consultation requirements of Article 12 of the WTO Safeguards Agreement and Section 17 of RA 8800 and its IRR shall be complied with.

All case records will be transmitted to the Tariff Commission as required by the Safeguard Measures Act.

Let the Order be published in two (2) newspapers of general circulation and let individual notices be sent to all interested parties including the country members concerned.

SO ORDERED.

17 September 2021

RAMON M. LOPEZ
Secretary

Annex A

I. LIST OF IMPORTERS

	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

II. LIST OF EXPORTERS

	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.	MITSUI & CO (ASIA PACIFIC) PTE LTD	Japan

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

ANNEX C

LIST OF ASSOCIATIONS

Association Name	
Association of Petrochemical Manufacturers of the Philippines (APMP)	Philippine Plastics Industry Association, Inc
Samahan sa Pilipinas Ng Mga Industriyang Kimika (SPIK)	Chamber of Philippine Electric Wires and Cables Manufacturers, Inc. (CPEWCM Inc.)