FACTSHEET:

ANTI-DUMPING ACTION ON POLYESTER INDUSTRIAL FILAMENT

- Polyester industrial filament is a **high-strength filament yarn** used in a wide variety of applications: tyre reinforcement, coated fabrics, architectural textiles, conveyor belts, car seat belts, geotextiles, ropes, sewing thread, industrial hoses and much else.

- Europe – with the USA and Japan – was the **pioneer** in developing the technology behind these products, and remains one of the leaders in **quality, innovation and customer service**. There is production currently, within the EU, in Belgium, France, Germany and Spain. Within Europe, but outside EU, there is also production in Switzerland and Turkey.

- In the 1990s, aided by easy financing from state-owned institutions, **Korea** moved into the market in a big way, by installing large amounts of capacity and by exporting yarn aggressively worldwide. **Taiwan** also invested heavily. However, a market balance gradually emerged, with strong competition between all players but with market growth allowing efficient producers to expand their businesses.

- The situation was changed dramatically after 2004 by the decision of the authorities in **China** to encourage a strategic move into this industry, as part of a policy in its 5-year plans to promote the growth of differentiated fibres, and of industrial yarns in particular. Aided by financing from state-owned banks, and with involvement of state-owned chemical companies, China built **700.000 tonnes of new capacity** between 2003 and 2009, whereas its **market** grew by only **240.000 tonnes** in the same period.

- Independent consultants have shown that the capacity-building programme has resulted in huge **over-capacity for polyester industrial filament in China**. Local demand for polyester industrial filament in China is estimated by independent consultants as no more than **360.000 tonnes** in 2009, compared with capacity of **850.000 tonnes**. The result is that Chinese producers are trying desperately to export to other markets, including the European Union, in order to fill their capacity.

- Despite the overcapacity already existing, the strategic push to **expand capacity even further** is continuing. Capacity will rise by at least a further 200.000 tonnes by 2012 (some observers expect the increase to be 300.000 tonnes), increasing excess capacity in China to at least 700.000 tonnes. This excess Chinese capacity – all available to be used for export – will then be equivalent to more than 50% of total world demand. **This huge excess capacity, not required by the market, is directly due to distortions in the Chinese economic system.**

- The capacity expansion in China has also had an impact on **Korea** and **Taiwan**. They can no longer sell large quantities to China, and are competing with Chinese producers in their export markets, to try to keep their capacity running.

- The **market share of China** in the EU has risen from **1.2%** in 2004 to **22%** in 2008 and **30%** in the first quarter of 2009.

- The market share of Korea and Taiwan has risen from **11%** in 2004 to **18%** in first quarter 2009.

- In 2008 and first quarter 2009, according to CIRFS estimates, all three countries were exporting to EU at **dumped prices**: assessed **dumping margins** for first quarter 2009 are 12% for Korea, 23% for Taiwan and 48% for China (based in the case of China on an analogue country approach).

- Pressure of dumped imports, and the loss of market share to them, has led to **serious injury to EU producers:**
  - The industry has moved from modest profits to severe **losses**.
  - One of the leading producers, **Diolen**, filed for bankruptcy in 2008, and its production plant in the Netherlands is closed (its German plant continues on a reduced scale under new ownership).
  - The Slovak producer, **Slovkord**, is in bankruptcy and closed.
  - **Performance Fibers** has severely rationalised its production capacity in Germany.
  - Investment has been cut back.

- If dumped imports continue to gain market share, there is a serious **risk of further closures** by the European producers. This would lead to serious problems for customers:
  - Disappearance of reliable local partners
  - Less innovation
  - Loss of quick response and just-in-time capacity
  - Requirement for higher stocks of yarn to be held.

- The European producers are fully aware of the pressures on their customers, and are committed to preserving a **competitive market** even if the action they have taken results in anti-dumping measures by the EU. In particular:
  - Anti-dumping duties would not increase import prices beyond the level which would apply if the companies concerned were exporting at normal value – and may even be less than this if the Commission concludes that a lower duty would be enough to prevent further injury to European producers.
  - No action is being taken against alternative sources of imports such as Switzerland, Turkey, Belarus, USA, Brazil, Mexico, Indonesia, Thailand and Japan.

- European yarn producers are concerned about import trends also in the **fabric** sector, and at the request of some customers are examining whether there is a potential anti-dumping case for coated, uncoated or tyre fabrics. Through CIRFS, they are ready to assist the fabric industry to develop this approach further if it is appropriate.

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European Man-made Fibres Association, Avenue E. Van Nieuwenhuyse 6, B-1160 Brussels
Tel.: +32 2 676 7455 Fax: +32 2 676 7454 E-mail: info@cirfs.org, www. cirfs.org