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Provisional anti-dumping duties imposed on tyres from China

September 14, 2022

The International Trade Commission of South Africa (ITAC) have imposed provisional 38.3% anti-dumping duties on car, passenger, truck and bus tyres, with effect from 9 September 2022. These will remain in place until 8 March 2023. **These duties, levied on top of the 25% to 30% duties already in place, will drive up tyre prices by around 23%** and given the importance of tyre costs to the transport industry, will manifest in higher taxi fares and trucking costs.

This is well understood by both the SA Tyre Manufacturers Conference (SATMC) and their four members, Bridgestone, Continental, Goodyear and Sumitomo (the applicants). ITAC's preliminary decision report states

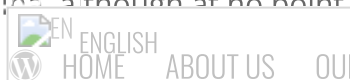


The dumped imports [of tyres] from China have prevented any further [price] increases

The price increases being sought by the applicants come on the back of a 5% price increase from 2019 to 2020 and a 9% increase from 2020 to 2021, according to the SATMC. Let's think costs were rising faster than price increases (price suppression in trade law speak), ITAC also found no price suppression. In other words, margins were improving over the 3 years being considered.



Although imports from China increased over the last 3 years, so did the applicant's imports from other countries besides China, although at no point did they stop importing from China. To recap:



1. The applicant's selling prices rose by 14% over 3 years, outpacing their cost increases. According to the applicants and ITAC, these prices would have risen faster if not for imports from China.
2. Profits increased over the 3 years being investigated
3. Return on investment improved over the period.
4. Tyre imports of the producers increased by 43% over the 3 years being investigated.

How did we end up here?


According to SATMC, new pneumatic tyres of rubber of a kind used on motor cars, buses or lorries originating in or imported from China, were being imported into SACU at lower prices than they are sold for in China and these prices caused material injury and threaten to cause material injury to the SACU industry. On 31 January 2022, ITAC initiated an investigation into these allegations.

A *lot* of companies opposed the application (62 Chinese producers and 18 importers, plus an importer and producer association), making this the largest response in the 19-year history of ITAC. Feeling somewhat overwhelmed, ITAC decided to sample the producers they would look at. Given that the allegation of dumping is made against the Chinese manufacturers, only the manufacturers can demonstrate, using their own data, if they indeed sold to SACU at lower prices than they sold for in China.

Sampling allows ITAC to only review a sample of the manufacturers and to then extrapolate their outcomes to the rest of the sector. Nine Chinese manufacturers were sampled. ITAC however determined that every respondent was deficient and that no company could resolve their deficiencies and so kicked all of the producers out for purposes of the preliminary decision. This means that when the calculations were done for the preliminary duties imposed, ITAC ignored the data provided by the respondents. ITAC didn't explain why the duties imposed are considerably higher for most tyre sizes than the requested levels contained in the SATMC application.

Litigation underway

Despite the enormous volume and variety imported by the applicants, they have refused to disclose why they import. This matters because we don't want a situation where duties are imposed and the largest beneficiary are foreign producers from countries besides China. Given the dire costs which will now be levied on consumers through this action, it seems reasonable to understand why these imports occur. ITAC has refused to instruct the SATMC to disclose their reasons for importing, leading us to the current legal challenge by TIASA to have this important information disclosed.

Bear in mind that the applicants are importing 43% more tyres than 3 years ago and Continental and Goodyear import 100% of their truck and bus tyres. Ironically, Goodyear China is opposing  rent

application. If we don't understand why these companies import instead of buying from other local producers, then it becomes difficult to see if the new duties will actually benefit local production.



On that note, the domestic industry now has the duties they wanted, but quite clearly they will not be able to supply everything demanded from their local facilities. After all, they only produce around 20% of the variety of models consumed in SACU.

Next steps



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Interested parties have until **23 September 2022**, to respond to the preliminary report.

If the deadline is missed, the respondents will be removed from the investigation completely and face the final, residual duty. Interested parties who respond within the deadline and who are not found to be deficient, will have their information used in the final calculation.

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