IHS Chemical Week

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New PET dumping duties unlikely to reduce US imports

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Keel: Unless two or more existing PET units are shut down, the surplus of US capacity will get worse.

New antidumping duties on polyethylene terephthalate (PET) resin from China, India, Oman, and Canada are unlikely to reduce imports by the United States, but they may improve the margins of domestic producers, IHS Chemical says.

"A key question is whether or not other offshore producers elect to take a more conservative pricing stance that would lead prices to rise," says Tison Keel, director/PET, purified terephthalic acid, and ethylene oxide derivatives at IHS Chemical. "The rulings show that the US companies are willing to take action and that the Commerce Department [US Department of Commerce] is willing to impose penalty duties, so one could argue that other [exporters] will be more cautious to avoid a fate similar to China and India."

However, the process requires volume and time. "An accused company must make up at least 3% of the total imported volume or 7% collectively if more than one is accused from a single country," Keel says. "There also must be at least a 12-month period of alleged dumping that may be investigated before a petition may be filed. An individual company could stay under the volume threshold or could decide it is worth the risk in return for a one-year volume benefit."

Surging imports draw complaint

US imports of all forms of PET resin plummeted during 2006–10, falling almost 10%/year, according to data from the IHS Global Trade Atlas. Imports quickly recovered during the next four years, reaching 871,450 m.t. in 2014—a gain of 333,846 m.t. Over the same period, however, domestic demand increased only 170,000 m.t./year, according to estimates by IHS Chemical. China and Canada each accounted for 30% of the increase in imports, Oman for 22%, and India for 8%.

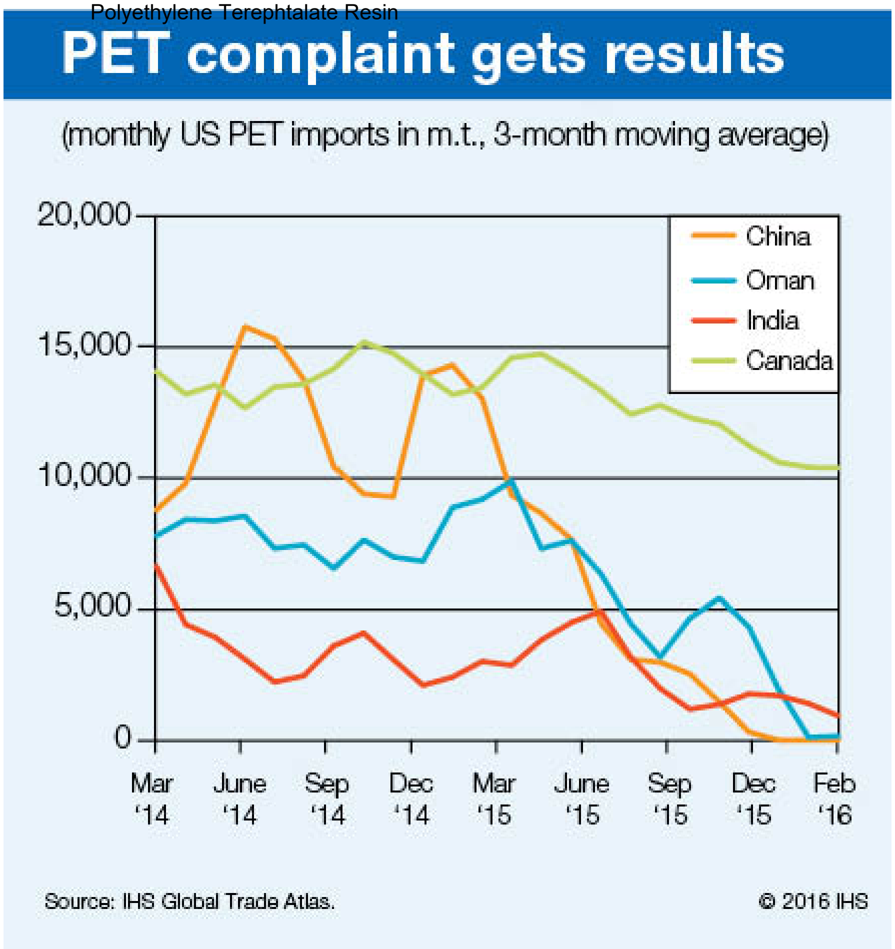
Three companies with production in the United States—DAK Americas, M&G Chemicals, and Nan Ya Plastics—submitted a complaint to the US government in March 2015. The subsequent investigation focused specifically on PET resin with an intrinsic viscosity of 0.70–0.88 deciliters/gram—a range that includes bottle-grade and some film-grade resin but excludes textile fiber–grade resin. In March 2016, Commerce Department determined that PET imports from the four countries had been sold at less than fair value in the United States and that the governments of China and India had subsidized imports. The US International Trade Commission (USITC) confirmed the finding on 31 March, and it will impose a range of duties effective for five years. USITC will issue its report by 18 May.

According to Kelley Drye, the law firm representing the US producers, imports of PET from Canada will be subject to antidumping duties of 13.6%; from China, 104.98–126.58%; from India, 8.03–19.41%; and from Oman, 7.82%. Additionally, countervailing duties of 6.83–47.56% will be imposed on imports of PET resin from China and 5.12–153.8% on imports from India.

The effect of the complaint became evident even before the ruling was finalized. Total PET imports grew an average 16%/year between 2010 and 2014 but did not increase at all in 2015, and volume from the countries under investigation declined. Import growth out of Canada fell from an annual average 38% during the previous four years to -7% in 2015; out of Oman from 119% to -23%, out of China from 52% to -66%, and out of India from 33% to -31%. Volumes fell throughout 2015, but the biggest declines were in the fourth quarter, after US Customs began requiring deposits based on the Commerce Department's preliminary determination in October.

Domestic oversupply threatens

Keel expects other import sources to fill much of the gap left by China and India, which accounted for almost half the 450,000-m.t. non-Nafta PET imports in 2014. "They won't be easy to fully replace, but there is surplus PET capacity everywhere looking for a home," he says. Companies that can shift production, such as JBF's India arm, which has PET units or joint ventures outside India, in the United Arab Emirates, Bahrain, Belgium, and Egypt, may be able to keep their share of the US market.



"Oman and Canada don't really have much option, so they will probably keep shipping, albeit at very low margins," Keel says. "The world currently has about 6 million tons of surplus PET capacity [and] had an operating rate of only about 70% in 2015, so there are ample replacements. Buyers will be looking for replacement low-cost imports, so [they] will actively encourage new entrants or more volume from current participants.

"Probably the most important question is whether aggressive share competition among the oversupplied domestic producers will continue to hold prices down despite the tariff barriers," Keel says. Later this year, M&G will bring onstream a new 1.1-million m.t./year PET plant at Corpus Christi, TX, he notes. DAK owns the right to a portion of the capacity. "The market demand is not expected to grow, so unless two or more existing units are shut down, the capacity surplus will get worse," Keel says.

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