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Directorate-General for Trade
Directorate H - Trade Defence

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GENERAL DISCLOSURE DOCUMENT

AD619 – Anti-dumping proceeding concerning the imports of high fatigue performance steel concrete reinforcement bars (“HFP rebars”) originating in the People's Republic of China

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A. PROCEDURE

1. Provisional Measures

- (1) The European Commission ('the Commission') imposed on 29 January 2016 a provisional anti-dumping duty on imports of high fatigue performance steel concrete reinforcement bars ('HFP rebars') originating in the People's Republic of China ('PRC' or 'the country concerned') by Implementing Regulation (EU) No 2016/113 ('the provisional Regulation')¹.
- (2) The investigation was initiated on 30 April 2015² following a complaint lodged on 17 March 2015 by the European Steel Association ('Eurofer' or 'the complainant') on behalf of producers representing more than 25% of the total Union production of HFP rebars. The complaint contained evidence of dumping of the said product and of material injury resulting therefrom, which was considered sufficient to justify the initiation of an investigation.

2. Registration of imports

- (3) By Regulation (EU) 2015/2386³, the Commission made imports of HFP rebars originating in the PRC subject to registration as of 19 December 2015 following a request by the complainant which contained sufficient evidence that the relevant conditions set out in Article 10 of the basic Regulation were met.

3. Subsequent procedure

- (4) Subsequent to the disclosure of the essential facts and considerations on the basis of which a provisional anti-dumping duty was imposed ('the provisional disclosure'), Union producers, Chinese exporting producers, importers, users, and an association of importers made written submissions making known their views on the provisional findings. The parties who so requested were granted an opportunity to be heard.
- (5) Hearings took place with Chinese exporting producers and with unrelated importers and users in the Union.
- (6) The Commission considered the oral and written comments submitted by the interested parties and, where appropriate, modified the provisional findings accordingly.
- (7) One interested party requested the intervention of the Hearing Officer to verify the correctness of the data from the analogue country, since the data was not disclosed in the provisional disclosure due to its confidential nature. The Hearing Officer has verified the data and has found no errors.
- (8) The complainant considered that the target profit in the provisional Regulation was not correctly established and not appropriate for the HFP rebars industry. It questioned the method used to establish that profit and asked the Commission to deepen its investigation into that issue. Specific questionnaires were thus sent to the Union producers concerning their historical levels of profitability before the period considered, namely from 2005 up to 2010. Replies were received from all four

¹ OJ L 23, 29.1.2016, p. 23.

² OJ C 143, 30.4.2015, p. 12.

³ OJ L 332, 18.12.2015, p.111.

sampled Union producers, which, at the same time, submitted revised cost and profitability calculations for the period considered.

- (9) Subsequent to the registration of imports, the interested parties had a period of 20 days to submit their comments. Comments were received from Union producers, Chinese exporting producers, importers, users, and an association of importers.
- (10) In order to examine whether the retroactive application of the definitive duties was warranted, questionnaires were sent to unrelated importers concerning their import volumes, import prices and inventories in the period after the investigation period, i.e. from 1 April 2015 to 31 January 2016. Replies were received from three unrelated importers. Questionnaires were also sent to Union producers concerning their sales prices in the period after the investigation period, i.e. from 1 April 2015 to 31 January 2016. Replies were received from all four sampled Union producers.
- (11) In order to verify the questionnaires replies mentioned in recitals (8) and (10) above, verification visits were carried out at the premises of the following parties:
- a) Union producers
 - Megasa Siderur, Spain
 - Riva Acier, France
 - SN Maia, Portugal
 - b) Unrelated importers in the Union
 - CMC Ltd, United Kingdom
 - Eurosteel Ltd, United Kingdom
 - Ronly Ltd, United Kingdom
- (12) The Commission informs all parties of the essential facts and considerations on the basis of which it intends to impose a definitive anti-dumping duty on imports of HFP rebars ('the definitive disclosure'). All parties are granted a period within which they can make comments on the definitive disclosure. The comments submitted by the interested parties will be considered and taken into account where appropriate.

4. Sampling

- (13) In the absence of comments concerning the method of sampling, the provisional findings set out in recitals (6) to (11) of the provisional Regulation are confirmed.

5. Investigation period and period considered

- (14) As set out in recital (16) of the provisional Regulation the investigation of dumping and injury covered the period from 1 April 2014 to 31 March 2015 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2011 to the end of the investigation period ('the period considered'). Due to the specific circumstances in the market in the year 2011 explained in recital (139) of the provisional Regulation, the weight of the year 2011 in the injury analysis was reduced, and the developments since 1 January 2012 were given accordingly more emphasis. The indexes are thus based on the year 2012, whenever applicable.

B. PRODUCT CONCERNED AND LIKE PRODUCT

- (15) As set out in recitals (17) to (19) of the provisional Regulation, the product concerned are high fatigue performance iron or steel concrete reinforcing bars and rods made of iron, non-alloy steel or alloy steel (but excluding stainless steel, high-speed steel and silico-manganese steel), not further worked than hot-rolled, but including those twisted after rolling; these bars and rods contain indentations, ribs, grooves or other deformations produced during the rolling process or are twisted after rolling. The key characteristic of high fatigue performance is the ability to endure repeated stress without breaking and, specifically, the ability to resist in excess of 4.5 million fatigue cycles using a stress ratio (min/max) of 0.2 and a stress range exceeding 150 MPa.
- (16) The product concerned is the product described in recital (15) above, originating in the PRC, currently falling within CN codes ex 7214 20 00, ex 7228 30 20, ex 7228 30 41, ex 7228 30 49, ex 7228 30 61, ex 7228 30 69, ex 7228 30 70 and ex 7228 30 89.
- (17) Following the provisional disclosure, an importer claimed that it would be difficult in practice to separate the product concerned from other types of rebars, falling under the same CN codes. It alleged that the Union customs authorities could thus mistakenly impose anti-dumping duties on other products not concerned by the investigation and not impose duties on the product concerned.
- (18) As explained in recital (18) of the provisional Regulation, the product definition exclusively corresponds to the requirements of the British Standard BS4449 and is typically distinguishable by CARES certification and markings embossed on the rebars themselves.
- (19) The importer could not specify in what way the product definition would overlap or be confused with the definition of other types of rebars. Therefore, the Commission considered that there is no problem of practical implementation of the measures and rejected the claim. The Commission observes that the certification has not been included in the product description in order to prevent the possibility of circumvention through imports of non-certified goods that would only be certified once inside the Union.
- (20) In the absence of any other comments regarding the product concerned and the like product, the conclusions reached in recitals (17) to (19) of the provisional Regulation are confirmed.

C. DUMPING

- (21) The details of the dumping calculation are set out in recitals (21) to (45) of the provisional Regulation.
- (22) Following the provisional disclosure, two interested parties repeated their concerns, described in the recital (22) of the provisional Regulation, as to the fact that both groups of companies were considered to be related for the purpose of the dumping and injury margins calculations. These parties repeated previous arguments concerning the lack of any operational links between the two groups and the absence of involvement in each other decision making process. Additionally the interested parties pointed out that in anti-dumping procedures conducted by third countries (namely Malaysia, Thailand and United States) they were treated as separate entities.
- (23) Nevertheless, the Commission is still of the opinion that the nature and strength of the relations between the groups, namely their capital links and the right to nominate the officials of one of the groups in the statutory bodies of the other, does not allow to

treat these interested parties as separate entities, in particular because that interconnection makes it possible to establish a closer structural and commercial relationship between them without difficulty. In the context the fact the one of the interested parties chooses not to exercise its right to nominate certain number of its representatives in the Board of Directors and Supervisory Board of the second party (who is supposed to be one of its biggest local competitors) and nominates for this posts the employees of the latter party only emphasizes the fact that the relations between the two groups are far from being independent. The mere fact that both interested parties raise the claim of separate treatment, while this decision would actually lead to the higher anti-dumping measures for one of them, could also lead to the above conclusion. Furthermore, it should be stressed that the Commission has no obligation to follow the decisions taken by the authorities of third countries in their anti-dumping procedures on the basis of their domestically applicable legislation. Therefore, the preliminary conclusion reached in recital (23) of the provisional Regulation as to the common treatment of the two exporters' Groups is hereby confirmed.

- (24) Following the provisional disclosure, one interested party raised again its concerns as to the choice of South Africa as an analogue country and subsequent construction of the normal value on the basis of this country. The interested party underlined the fact that none of the eight product types produced and sold by Chinese exporters passed the 5% representativity test on domestic sales in South Africa and three of them were not even produced by the South African producer. Therefore no cost of production was available for these three types. The interested party contested also the high level of profit (in a range of 10-20%⁴) used for the construction of the normal value. Finally, the interested party indicated that the cost of production in South Africa was high, and even substantially higher than sales prices in the Union, and alleged that this contradicted the Commission's provisional conclusion that South Africa is an open market with internal and external competition.
- (25) In response to the above claims, it should first be explained that even if a producer in the analogue country does not have sufficient volumes of domestic sales of certain product types to meet the 5% representativity test, this does not prevent the normal value to be established for these product types. Given that these types were produced and sold by the South African producer, normal value was constructed based on actual costs of production. With regard to the three product types not produced in South Africa, the construction of their normal value was based on the costs of production of the closest product types produced in South Africa. In this case, the closest product types were identified by changing only one parameter of the product, namely its length. Cost of production (per kg) of the medium lengths was used instead of short or long ones. With regard to the profit used for the construction of the normal values, the standard method was applied. For the product types where there were no domestic sales or no profitable domestic transactions, the average company profit on all domestic sales of the product concerned was used. The investigation showed that this domestic profit ranged between 10-20%. Furthermore, the Commission also applied the ruling of WTO panel in the Norwegian Salmon case⁵ for the construction of normal values for those product types for which there were not sufficient profitable

⁴ As the normal value calculation is based on data of only one company in South Africa the exact figure cannot be revealed.

⁵ Panel Report of 16 November 2007, DS337 European Communities - Anti-Dumping Measure on Farmed Salmon from Norway (WT/DS337/R)

domestic transaction. In that case, the actual profit of the profitable domestic transactions per product type was applied. In that case the rate of profit was normally lower than 10-20%.

- (26) Finally, the investigation indeed showed that costs of production in South Africa are higher than Union Industry costs and prices. These are actual costs verified on the premises of the producer and found to have been correctly reported by the South African producer. The Commission fails to see how this can be contradicting its preliminary conclusion regarding the openness and the competitive nature of the South African market. It should be underlined that whilst the Union Industry's prices are depressed with the presence of low-priced dumped imports from China, the South African producer can operate under normal conditions of competition. The situation in the Union Industry is not a benchmark for the choice of an analogue country which after all is a substitute for China.
- (27) Taking into account the above the Commission confirms its preliminary conclusion of recital (30) of the provisional Regulation that South Africa is an appropriate analogue country under Article 2(7)(a) of the basic Regulation. In that context, the Commission also notes that it has not been possible to obtain cooperation in another market economy country, and that the case-law of the Union Courts requires the Commission to use in such a situation the data of the country for which such cooperation has been obtained.
- (28) Following the provisional disclosure two interested parties claimed that because steel prices, and in parallel production costs, had fallen throughout the IP, the Commission should have calculated the dumping and injury margins on monthly or, at the very least, on a quarterly basis. In particular, they point out that otherwise those producers would be punished that had a lot of sales in the early months.
- (29) However, the investigation showed that HFP rebar prices fell throughout the IP and in particular when demand was increasing due to dumped imports. This situation does not seem to require or to justify the use of any special methodology. The interested parties themselves admit that the drop in costs was a global phenomenon and not specific to the Union. Thus, the drop in costs should have affected all parties equally. Also, even though there were fluctuations in the prices of raw materials and in the prices of the final product, the variations in the course of the IP were not of a level to justify the application of a special methodology. The data submitted by the interested parties referring to the global steel market shows a decline of prices by around 12%. With regard to the rapid decline of iron ore prices on the Chinese market (more than 50%), the Commission notes that the impact of the decline on the prices of HFP rebars was limited to 20% in the IP. The Commission also notes that the claim was made at a late stage of the proceedings, at which stage it was no longer possible to collect the cost data on a monthly or quarterly basis. The claim should thus be rejected
- (30) In the absence of any further comment, the provisional findings as set out in recitals (21) to (45) of the provisional Regulation are confirmed and the definitive dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, remain unchanged:

Company	Definitive dumping margin (%)
Jiangyin Xicheng Steel Co., Ltd.	66.0

Jiangyin Ruihe Metal Products Co., Ltd.	66.0
Jiangsu Yonggang Group Co., Ltd.	51.5
Jiangsu Lianfeng Industrial Co., Ltd.	51.5
Zhangjiagang Hongchang High Wires Co., Ltd.	51.5
Zhangjiagang Shatai Steel Co., Ltd.	51.5
All other companies	66.0

D. INJURY

1. Definition of the Union industry and Union production

(31) In the absence of any comments with respect to the definition of the Union industry and Union production, the conclusions set out in recitals (46) to (50) of the provisional Regulation are confirmed.

2. Sampling of Union producers

(32) In the absence of any comments with respect to the sampling of Union producers, the conclusions set out in recital (51) of the provisional Regulation are confirmed.

3. Free and captive markets

(33) In the absence of any comments with regard to free and captive markets, the conclusions set out in recitals (52) to (56) of the provisional Regulation are confirmed.

4. Union consumption

(34) In the absence of any comments with regard to Union consumption, the conclusions set out in recital (57) of the provisional Regulation are confirmed.

5. Imports into the Union from the country concerned

(35) In the absence of any comments with regard to the volume, the market share and prices of the imports concerned, the findings and conclusions set out in recitals (58) to (61) of the provisional Regulation are confirmed.

(36) As explained in recitals (62) of the provisional Regulation, the price undercutting was established by comparing the prices of the imports from China on a CIF basis with the prices of the matching product types of the Union industry, adjusted to ex-works level.

(37) Following provisional disclosure, the Union industry claimed that in the current case, comparing the prices with different sales conditions, namely CIF vs. ex-works, leads to an underestimation of the actual price undercutting practiced by Chinese exporters. This is particularly true when the prices of imports from China are compared with the prices of products sold from continental Europe to the UK and Ireland, which are the only two markets where HFP rebars are exclusively used. According to the Union industry, adjusting the Union prices of the producers selling from continental Europe

to ex-works level does not reflect the actual competition with the imports from China which are delivered to UK and Irish harbours, close to their clients' premises. The Union industry argued that undercutting and also injury elimination level ("underselling") should be established at the most appropriate point of comparison, namely by comparing Chinese import prices with the Union prices at their arrival in the importation harbour in UK and Ireland, so as to compare Chinese prices at CIF level with Union industry prices at the same destination. The Union industry underlined the Commission's wide margin of discretion in establishing the most accurate method for establishing price undercutting and underselling.

- (38) In response to these claims, the Commission notes that the investigation showed that there are different standards and grades used in the construction industries in different Member States. Whilst the standard of HFP rebars corresponds to the standard suitable to be consumed only in the UK and in Ireland, production takes place in both the UK and several other Member States, in particular in France, Spain, and Portugal. The Commission confirms that the determination of undercutting should be based on a fair price comparison between matching product types. The investigation has established that the matching product types are exclusively produced by the Union producers located in the continental Europe who deliver their products by sea to harbours in the UK and in Ireland. By contrast, the investigation also showed that HFP rebars produced in the UK are of a different grade than the imports from China and could thus not be compared with the imports from China.
- (39) It is clear that in this case the imports from China enter into competition with Union industry products only when delivered in the UK or in Ireland. Customers will make their purchase decisions based on prices quoted at the same point of destination. The Commission therefore considers that in order to reach a fair determination of undercutting, and subsequently underselling, the calculations should reflect a comparison at the level of the importation in the UK or in Ireland. The claim of the Union industry is thus accepted.
- (40) However, differently from the claim of the Union industry, the Commission considers that instead of CIF level, the most accurate point of comparison is the level where the goods have been offloaded from the vessels and have reached land in the harbour. This means that such a comparison includes in the Chinese prices the post-importation costs, typically borne by the importer, that occur on top of the CIF costs. The investigation has not established any difference in harbour handling costs between shipments from China and from the Union. By contrast, a fair comparison should also reflect the fact that shipments from China must undergo customs clearance at the importation harbour, whereas shipments from the Union do not.
- (41) On the basis of the above, the Commission adjusted the determination of undercutting to the price comparison at the point where the goods from both China and the Union have landed in the UK or in Ireland. This had the effect of including in the comparable price of the Union industry the transport cost (in the range of 25-35 EUR/tonne) and handling costs (in the range of 5-10 EUR/tonne) , which corresponded to approximately 8% of the CIF price. The same adjustment was done for underselling calculations as explained in recital (101) below.
- (42) Therefore, the recitals (62) to (63) of the provisional Regulation are replaced by the following recitals:
- (43) In order to determine whether there was price undercutting during the IP, and to what extent, the weighted average sales prices per product type of the sampled Union

producers charged to unrelated customers on the Union market, adjusted to the level of landed costs by including the actual delivery costs up to the arrival harbour and the handling costs at the harbour, and by deducting commissions and credit notes, were compared to the corresponding weighted average prices per product type of the dumped imports from the sampled Chinese producers to the first independent customer on the Union market, established on a CIF basis, and adjusted with post-importation costs corresponding to handling costs and customs clearance costs, and by deducting commissions and credit notes. As explained in recital (103) of the provisional Regulation, undercutting was established in comparison with sales to unrelated customers only and only for matching product types. The sales to related parties made by the Union industry were exclusively composed of product types not being imported from China.

- (44) The result of the comparison, when expressed as a percentage of the sampled Union producers' turnover during the IP, showed an undercutting margin ranging from 8.3% to 11.8%. The lower prices of the dumped imports compared to the Union prices during the period considered explain the significant increase in Chinese import volume and in the market share held by the imports from China from 2013 onwards.

6. Economic situation of the Union industry

- (45) In the absence of any comments concerning the preliminary remarks and macroeconomic indicators, the conclusions set out in recitals (64) to (80) of the provisional Regulation are confirmed.

- (46) Following provisional disclosure, as explained in recital (8) above, the Union industry submitted revised cost data in particular for the period considered. The revised data that was verified at their premises also concerns cash flow and investments. As a result, the indicators concerning costs, profitability, cash flow, investments and return on investments were re-stated to reflect the verified data. While the changes affect slightly the exact level of certain indicators, they do not alter the overall conclusions on injury of the provisional Regulation. The below recitals (47) to (49) replace the recitals (81) to (83) of the provisional Regulation

(a) Average unit selling prices on the Union market and unit cost of production

- (47) The average sales prices of the sampled Union producers to unrelated customers in the Union decreased by 16% from 2012 to the IP. The price decrease reflects a general lowering trend in the worldwide cost of raw material, both shredded scrap used in the Union and iron ore used in China and in the analogue country, as shown in the table below.

	2011	2012	2013	2014	IP
Scrap price in EUR/tonne (sampled Union producers)	319	307	279	269	260
<i>Index</i> (2012 = 100)	104	100	91	88	85
Shredded scrap price in EUR/tonne (Union market)	318	285	254	261	251
<i>Index</i> (2012 = 100)	112	100	89	92	88
Iron ore price in EUR/tonne (imports to China)	124	100	96	72	60
<i>Index</i> (2012 = 100)	125	100	96	73	61
Iron ore price in EUR/tonne (imports to China) submitted by the Chinese exporting producers	Not provided	Not provided	[90-110]	[60-80]	[50-70]

Source: Complainant, questionnaire replies, www.indexmundi.com, CISA

- (48) However, the sales prices of the Union industry decreased from 2012 to the IP faster than the raw material prices for shredded scrap, both in absolute and in relative terms. As can be seen in the table below, this resulted in losses from 2013 onwards.

	2011	2012	2013	2014	IP
Average unit selling price in the Union to related customers	529	540	483	464	458
<i>Index</i> (2012 = 100)	98	100	89	86	85
Average unit selling price in the Union to unrelated	505	507	456	434	427

customers					
<i>Index</i> (2012 = 100)	100	100	90	86	84
Unit cost of goods sold for related sales (EUR/tonne)	544	527	490	479	470
<i>Index</i> (2012 = 100)	103	100	93	91	89
Unit cost of goods sold for unrelated sales (EUR/tonne)	504	491	458	444	433
<i>Index</i> (2012 = 100)	103	100	93	90	88

Source: Questionnaire replies

(b) *Profitability, cash flow, investments, return on investments and ability to raise capital*

(49) During the period considered the Union producers' cash flow, investment, return on investment and their ability to raise capital developed as follows:

	2011	2012	2013	2014	IP
Profitability of sales in the Union to related customers (% of sales turnover)	-2.8	+2.5	-1.5	-3.2	-2.7
Profitability of sales in the Union to unrelated customers adjusted for comparable product types (% of sales	+0.2	+4.8	+0.9	-1.9	-0.5

turnover)					
Cash flow related sales (EUR)	-208 055	6 928 639	1 692 126	609 421	1 441 890
Cash flow unrelated sales (EUR)	3 311 842	11 567 283	1 947 404	2 258 271	1 060 330
Investments (EUR)	7,176,323	6,546,524	5,880,627	4,504,181	5,030,792
<i>Index</i> (2012 = 100)	110	100	90	69	77
Return on investments (%)	-3%	8%	-2%	-7%	-5%

Source: Questionnaire replies

- (50) In the absence of any modification concerning the profitability of the related sales, the conclusions set out in recitals (84) to (85) of the provisional Regulation are confirmed.
- (51) As a result of the revised data, the recitals (86) to (87) of the provisional Regulation are replaced by the recitals (52) to (53) below:
- (52) For their unrelated sales, a similar trend as for the related sales was followed. The unrelated sales were profitable in 2012, almost broke even in 2013 and then became loss-making from 2014 onwards.
- (53) Cash flow, which is the ability of the industry to self-finance its activities, was initially largely positive for unrelated sales, but reduced since 2013 in line with the weakening profits. Cash flow from related sales was negative in 2011 but positive in the rest of the period considered. However, since the related sales prices do not necessarily reflect market prices, the cash flow from related sales could not be considered to reflect the cash flow situation of the Union industry.
- (54) In the absence of any other comments concerning the indicators listed in recital (49) above, the conclusions set out in recitals (88) to (89) of the provisional Regulation are confirmed.
- (c) *Stocks*
- (55) In the absence of any comments concerning stocks, the conclusions set out in recital (90) of the provisional Regulation are confirmed.
- (d) *Labour costs*
- (56) Following provisional disclosure, an error in the Table in recital (91) of the provisional Regulation came to the attention of the Commission. The expression “13 % of the total costs of production” is replaced by “4% of the total costs of production”. The table in recital (91) of the provisional Regulation is replaced by the below table:

	2011	2012	2013	2014	IP
Average labour costs per employee (EUR)	41 407	47 208	41 650	45 539	49 449
<i>Index</i> (2012 = 100)	88	100	88	96	105

Source: Questionnaire replies

- (57) One interested party commented, in the light of recital (91) of the provisional Regulation, that the labour costs of the Union industry have increased significantly from 2012 to the IP.
- (58) The Commission notes that the corrected table above shows a moderate 5% increase in the average labour cost from 2012 to the IP. The comment of the interested party is found to be justified and has been addressed in the corrected table. The correction does not alter the overall conclusion on injury.

7. Conclusion on injury

- (59) In recital (93) of the provisional Regulation, the expression “4 percentage points” is replaced by “over 5 percentage points”.
- (60) In the absence of any other comments concerning the conclusion on injury, the conclusions set out in recitals (92) to (94) of the provisional Regulation that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation are confirmed.

E. CAUSATION

1. Introduction and the effect of the dumped imports

- (61) Following provisional disclosure, one interested party claimed that the Union industry had itself shifted its focus away from the product concerned to other products. The observed decrease in sales of the product concerned would thus be a result of the choices made by the Union industry and not attributable to the Chinese imports. The interested party claimed that the Union industry has therefore not suffered injury since other products have compensated the decrease in the production of the product concerned, leaving no negative net effect on the situation of the Union industry.
- (62) The Commission notes that the same machinery can be used to manufacture both HFP rebars and other products, as explained in recital (72) of the provisional Regulation. This fact does not, however, lead to the conclusion that the increase in the production of other products is the cause of the decrease of the production of HFP rebars. Such a causal link would exist only if the machinery would be operating close to full capacity. At less than full capacity, as is the case here, the production of other products can increase without causing the decrease of production of HFP rebars. The increase of

output of other products does not affect the assessment of injury for HFP rebars established in section D above. The claim must therefore be rejected.

- (63) In the absence of any other comments with regard to the introduction and the effect of the dumped imports, the conclusions set out in recitals (95) to (99) of the provisional Regulation are confirmed.

2. Effect of other factors

2.1. Export performance of the Union industry

- (64) One interested party claimed that the inefficiency of the Union industry, instead of the imports from China, would be the cause of the material injury. The interested party alleged that the lack of exports to third markets and the existence of imports from Turkey into the Union, despite their high prices, are signs of inefficiency of the Union industry. The interested party claimed that as a result, the imposition of measures against the imports from China would not help the EU industry, as the imports from China would be replaced by imports from other countries.

- (65) The Commission notes that the Union industry was profitable in 2012, before the start of the imports from China. The exports volumes were already small, without this preventing the industry from making a profit. The deterioration of the situation of the Union industry therefore cannot have been caused by the absence of exports to third countries. The Commission observes that the deterioration of the situation of the Union industry started with the appearance of the dumped imports from China.

- (66) Moreover, the Commission notes that as explained in recital (195) of the provisional Regulation, the imports from Turkey represented only 2% market share during the IP and that the impact of the imports from Turkey therefore was not such as to break the causal link between the Chinese imports and the material injury suffered by the Union industry.

- (67) In the absence of other comments with regard to the export performance of the Union industry, the conclusions set out in recital (100) of the provisional Regulation are confirmed.

2.2. Sales to related parties

- (68) One interested party commented that the overall decrease in sales to unrelated parties is explained by one Union producer's increased sales to its related parties at the expense of unrelated parties. The interested party alleged that the drop in unrelated sales is therefore not caused by the imports from China but by shifting the sales towards related customers by one Union producer.

- (69) Firstly, the Commission observes that the decrease in the Union industry sales to unrelated parties took place in a context of increasing Union consumption, as explained in recitals (74) to (76) of the provisional Regulation. Related sales cannot explain why the Union producers could not increase their sales in line with the expanding consumption. Secondly, the above claim concerning the Union industry sales to related parties is contradicted by the table in recital (74) of the provisional Regulation which shows that related sales did not increase but remained by and large stable during the period considered. The argument concerning an alleged increase of related sales at the expense of unrelated sales is unfounded and therefore cannot break the causal link between the Chinese import and the material injury suffered by the Union industry.

(70) In the absence of other comments with regard to the sales to related parties, the conclusions set out in recitals (101) to (103) of the provisional Regulation are confirmed.

2.3. Imports from third countries

(71) In the absence of any comments with regard to the imports from third countries, the conclusions set out in recitals (104) to (106) of the provisional Regulation are confirmed.

2.4. The economic crisis

(72) In the absence of any comments with regard to the economic crisis, the conclusions set out in recitals (107) to (108) of the provisional Regulation are confirmed.

2.5. Cost of the main raw material

(73) One interested party repeated the claim discussed in recitals (109) to (110) of the provisional Regulation, stating that the root cause of the injury would be more costly production methods and raw materials of the EU industry (scrap and electric furnaces) compared with China (iron ore and coal). It claims that the reasoning of the recitals (109) to (110) of the provisional Regulation failed to take into account the different consumption rates of iron ore and scrap.

(74) The Commission reiterates, as stated in recital (110) of the provisional Regulation, that the two production methods are different and they use different combinations of raw material and energy. The interested party has not put forward substantiated data on the alleged impact of the production method. On the basis of the available information, the Commission observes that the weight of the raw material is approximately 60% in the cost of production of the Union industry, whereas energy cost is in the range of 8-10%. Any savings in the raw material price due to an alternative production method would be at least partly offset by higher energy consumption. Therefore the Commission concludes that the prices of the two different raw materials are not directly comparable. In any event, the Commission observes that the dumping margin was established on the basis of the normal value in South Africa, not on the basis of Chinese raw material and energy prices. The arguments put forward by the interested party do not show that the injury suffered by the Union industry is due to the production method. The Commission therefore concludes that even though the decreasing iron ore prices in China may have had a positive impact on the Chinese exporting producers, the production method cannot in itself be the cause of the injury suffered by the Union industry and break the causal link between injury and the dumped imports from China. This claim must therefore be rejected.

(75) In the absence of other comments with regard to the cost of the main raw material, the conclusions set out in recitals (109) to (110) of the provisional Regulation are confirmed.

2.6. Competition between Union producers

(76) One interested party claimed that the decrease of prices and the injury suffered by the Union industry is not caused by the imports from China but by the fierce competition between Union producers. It alleged that this is demonstrated by the continued decrease of the prices in the post-IP period, even in the absence of imports from China.

(77) The Commission notes that the dumped imports from China have been found to undercut the EU prices during the IP, thereby establishing a causal link between the

injury and the dumped imports from China. As regards the post-IP developments, the Commission notes the significant increase of inventories of Chinese origin, which is likely to be suppressing prices over time even in the absence of immediate imports. This argument must therefore be rejected.

2.7. USD/GBP exchange rate

(78) One interested party claimed that exchange rate fluctuations between GBP and USD would be the cause of the imports from China. The appreciation of GBP against USD would allegedly have made the UK producer uncompetitive and opened the demand for imports from China, which are quoted in USD.

(79) The Commission notes that the undercutting and underselling determination is based on the sales of the Union producers located in France, Portugal and Spain, while the dumping determination is based on the normal value in South Africa. These findings are not affected by fluctuations in the USD/GBP exchange rate. Moreover, the USD has appreciated against GBP from 2012 to the IP. The argument must therefore be rejected.

2.8. Conclusion on causation

(80) In summary, the Commission considers that none of the arguments put forward by the interested parties after the provisional disclosure are able to alter the provisional findings which established a causal link between the dumped imports and the material injury suffered by the Union industry during the IP. The conclusions set out in recitals (111) to (114) of the provisional Regulation are confirmed.

(81) Based on the above analysis, which had distinguished and separated the effects of all known factors on the situation of the Union industry from the injurious effects of the dumped imports, it is concluded that the dumped imports from China have caused material injury to the Union industry within the meaning of Article 3(6) of the basic Regulation.

F. UNION INTEREST

(82) After the provisional disclosure, several interested parties claimed that the imposition of the measures would be contrary to the Union interest.

1. General considerations

(83) In the absence of any comments with regard to the general considerations, the conclusions set out in recitals (115) to (117) of the provisional Regulation are confirmed.

2. Interest of the Union industry

(84) In the absence of any comments with regard to the interest of the Union industry, the conclusions set out in recitals (118) to (124) of the provisional Regulation are confirmed.

3. Interest of users

(85) Several interested parties expressed concerns regarding the availability of supply for independent users. They pointed out that imports are necessary to satisfy the demand since domestic capacity is far below the consumption. According to these interested parties, the independent users will face difficulties to source the product concerned in the event that the imports from China will become uncompetitive as a result of the

measures. They alleged that alternative sources are not available because the Union producer located in the UK is giving preference to its related users, which restricts the availability of supply to the independent users and potentially forces them out of the market. This in turn will lead to competition distortions in the downstream market, putting at risk a large proportion of the jobs currently existing with the independent users. They pointed out that there are more jobs at stake in the downstream industry than in the Union industry involved with the product concerned.

- (86) The Commission notes that the purpose of anti-dumping measures is not to foreclose the market to exporters practicing dumping but to eliminate the trade distorting effect of injurious dumping and restore effective competition in the market. Users could continue to purchase HFP rebars from China once price discrimination has been eliminated. Furthermore, as explained in the recital (132) of the provisional Regulation, there is a significant spare capacity in the Union, in particular with producers located outside of the UK and who do not have any related users. The Commission considers that no arguments have been put forward showing that the independent users will face difficulties in purchasing from these Union producers. As a consequence, the independent users can continue to compete in the market. The argument must therefore be disregarded.
- (87) In the absence of other comments with regard to the interest of the users, the conclusions set out in recitals (125) to (136) of the provisional Regulation are confirmed.

4. Interest of importers

- (88) Some interested parties argued that the imposition of measures would have negative impact on the importers. The importers would be unable to pass on price increases to customers, which would lead them to losses. Considering their narrow profit margins, they would risk going out of business.
- (89) The Commission however points out that the domestic production in the UK is not sufficient to supply the entire consumption, thereby leading to a continuous need of imports. The importers will be able to continue their activity by importing from other sources of supply and also from China at non-injurious prices following the imposition of the duties. The importers are therefore unlikely to suffer substantially negative effects as a result of the measures.
- (90) In the absence of other comments with regard to the interest of importers, the conclusions set out in recitals (137) to (139) of the provisional Regulation are confirmed.

5. Conclusion on Union interest

- (91) In summary, none of the arguments put forward by the interested parties demonstrate that there are compelling reasons against the imposition of measures on imports of the product concerned from China. Any negative effects on the unrelated users are mitigated by the availability of alternative sources of supply. Moreover, when considering the overall impact of the anti-dumping measures on the Union market, the positive effects, in particular on the Union industry, appear to outweigh the potential negative impacts on the other interest groups. The conclusions set out in recitals (140) to (142) of the provisional Regulation are confirmed.

G. RETROACTIVE IMPOSITION OF ANTI-DUMPING DUTIES

- (92) The findings concerning the retroactive imposition of anti-dumping duties will be disclosed to the interested parties in a separate disclosure.

H. DEFINITIVE ANTI-DUMPING MEASURES

1. Injury elimination level (Injury margin)

- (93) Following provisional disclosure, the Union industry contested the target profit used in order to determine the injury elimination level as set out in recital (147) of the provisional Regulation, arguing that the level (+1.65%) was insufficient and not representative for that type of industry in the absence of dumped imports. The Union industry argued that the Commission should select a higher profit rate and suggested a number of alternative methods to determine the relevant profit rate. As mentioned in recital (8) above, the Union industry also submitted data on historical profits from before the period considered and suggested using 2008 as the most suitable reference year as one possible alternative. Finally, as also explained in recital (46) above, the verification of the revised cost data of the Union industry for the period considered also led to changes in their profitability.
- (94) The Commission observes that profitability data related specifically to the product concerned constitutes a more accurate benchmark than the profitability data of other steel products or of the steel sector in general, which were the basis of some of the methods suggested by the Union industry. Those methods were therefore rejected.
- (95) Furthermore, the Commission observes that profitability data from the period considered, if a year with normal conditions of competition is available, constitutes a more accurate benchmark than the profitability data from before the period considered, which was the basis of some of the other methods suggested by the Union industry. For the reasons explained in recitals (147) to (148) of the provisional Regulation, the Commission found that the year 2012 reflected the profits that could be achieved by the Union industry under normal conditions of competition, in the absence of dumped imports. The methods that were based on the data from the years before the period considered were therefore rejected.
- (96) The Commission notes that the profit level provisionally determined in recital (147) of the provisional Regulation was in line with the revenues and costs of the year 2012 submitted by the Union industry and verified by the Commission at the provisional stage.
- (97) As explained in recital (46) above, the revised data submitted and verified after the provisional disclosure led to changes in the level of certain indicators concerning profitability, cash flow, investments and return on investments. The revised data was applied consistently to the entire period considered. As can be seen in the tables in recitals (47) to (49), the costs and profits were slightly altered in all of the years as a result. In particular, profitability of the sales to unrelated customers achieved in the year 2012 changed to +4.8%, whereas at the provisional stage the profitability was 1.65%. The change in profitability was due to the revised costs being lower, which therefore resulted in a higher profit.
- (98) The Commission found that the profits achieved in the year 2012 reflected the profits that the Union industry could have achieved under normal conditions of competition,

in the absence of dumping. This revised profit level achieved in 2012 was therefore applied as the target profit at the definitive stage to establish the injury margins. As a result, in recital (147) of the provisional Regulation, the expression “1,65%” should be replaced by “4,8%”.

- (99) After the provisional disclosure, one interested party questioned whether the target prices of the Union industry had been correctly calculated and in particular whether the Commission had calculated the actual profit and the target profit separately for each PCN or whether the Commission had used the same profit margins for all PCNs.
- (100) In response to the question, the Commission confirms that the standard methodology has been used: the target unit price has been calculated by adding the target profit established above to the individual cost of production of each separate PCN. By contrast, the actually achieved profit was different for each PCN, and equalled the difference between the average sales price and average costs for each individual PCN. The question of the interested party is therefore considered to have been answered.
- (101) Finally, as explained in recitals (35) to (44) above, the price comparison between imports from China and the Union producers was adjusted to the level of the goods landed in the UK or in Ireland. As a result, the calculation of the injury elimination level was also modified to reflect a comparison of the prices of the level of the products landed in the harbour in the UK or in Ireland. This had the impact of increasing the injury margin.
- (102) One interested party highlighted that the level of the injury margins and dumping margins of the Chinese exporting producers seem contradictory, since producers with higher dumping margins have lower injury margins.
- (103) The Commission notes that the normal value is based on the analogue country and hence the same for all Chinese exporting producers. It could therefore indeed be expected that a higher dumping margin would be a consequence of lower CIF export prices, leading to a higher underselling margin too. However, the exports to the Union of one Chinese exporting producer (Xicheng Group) were made via independent trading companies located in China. The export prices used for the calculation of the dumping margin were established on the basis of the prices invoiced to the independent trading companies, whereas the CIF prices used for the calculation of the injury margin were established on the basis of prices paid by the first independent buyers in the Union. The CIF prices were exceeding the export prices by at least 20%. This difference in sales channels had an effect of increasing the difference between dumping margin and injury margin of this exporting producer.
- (104) Considering the change in the target profit mentioned in recital (98) above, in the absence of any other comments regarding the injury elimination level, the other conclusions reached in recitals (144) to (151) of the provisional Regulation are confirmed.

2. Definitive measures

- (105) In view of the conclusions reached with regard to dumping, injury, causation and Union interest, and in accordance with Article 9(4) of the basic Regulation, definitive anti-dumping measures should be imposed on the imports of the product concerned at the level of the injury margin, in accordance with the lesser duty rule. The Commission notes that the claims of the interested parties concerning the dumping margin, even if accepted, would therefore not have changed the level of the measures.

(106) On the basis of the above, the rate at which such duties will be imposed are set as follows:

Company	Injury margin (%)	Dumping margin (%)	Definitive anti-dumping duty rate (%)
Jiangyin Xicheng Steel Co., Ltd. Jiangyin	18.4	66.0	18.4
Jiangyin Ruihe Metal Products Co., Ltd. Jiangyin	18.4	66.0	18.4
Jiangsu Yonggang Group Co., Ltd. Zhangjiagang	22.5	51.5	22.5
Jiangsu Lianfeng Industrial Co., Ltd. Zhangjiagang	22.5	51.5	22.5
Zhangjiagang Hongchang High Wires Co., Ltd. Zhangjiagang	22.5	51.5	22.5
Zhangjiagang Shatai Steel Co., Ltd. Zhangjiagang	22.5	51.5	22.5
All other companies	22.5	66.0	22.5

(107) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of the present investigation. Therefore, they reflect the situation found during that investigation with respect to these companies. These duty rates (as opposed to the country-wide duty applicable to 'all other companies') are thus exclusively applicable to imports of product concerned originating in PRC and produced by the companies and thus by the specific legal entities mentioned. Imported product concerned produced by any other company not specifically mentioned in the operative part of this Regulation with its name and address, including entities related to those specifically mentioned, cannot benefit from these rates and shall be subject to the duty rate applicable to 'all other companies'.

(108) Any claim requesting the application of these individual company anti-dumping duty rates (e.g. following a change in the name of the entity or following the setting up of new production or sales entities) should be addressed to the Commission⁶ forthwith with all relevant information, in particular any modification in the company's activities linked to production, domestic and export sales associated with, for example, that name change or that change in the production and sales entities. If appropriate, the Regulation will accordingly be amended by updating the list of companies benefiting from individual duty rates.

(109) To minimise the risks of circumvention due to a difference in duty rates, special measures are needed to ensure the application of the individual anti-dumping duties. The companies with individual anti-dumping duties must present a valid commercial

⁶ European Commission, Directorate-General for Trade, Directorate H, CHAR 04/039, 1049 Brussels, Belgium.

invoice to the customs authorities of the Member States. The invoice must conform to the requirements set out in Article 1(3) hereof. Imports not accompanied by that invoice should be subject to the anti-dumping duty applicable to ‘all other companies’.

- (110) In order to ensure a proper enforcement of the anti-dumping duty, the residual duty level should not only apply to the non-cooperating exporting producers but also to those producers which did not have any exports to the Union during the IP.

3. Definitive collection of the provisional duties

- (111) In view of the dumping margins found and given the level of the injury caused to the Union industry, the amounts secured by way of the provisional anti-dumping duty, imposed by the provisional Regulation, should be definitively collected.