

## **Summary of the petition for an expiry review of Council Implementing Regulation (EU) N° 1331 / 2011 of 14<sup>th</sup> December 2011 imposing a definitive anti-dumping duty on imports of certain seamless pipes and tubes of stainless steel originating in the People's Republic of China (OJ L 336, 20.12.2011. p. 6)**

The Commission has opened an expiry review in relation to imports of certain stainless seamless pipes and tubes (SSPT) of Chinese origin. The complainant, the Defence Committee of the seamless stainless steel tubes industry of the European Union, has brought prima facie evidence that the revocation of the current anti-dumping measures on imports from China of these products would lead to an immediate and severe recurrence of dumping and injury.

### **1 - Product concerned:**

The product concerned is certain seamless pipes and tubes of stainless steel (excluding such pipes and tubes with attached fittings suitable for conducting gases or liquids for use in civil aircraft). This includes Line Pipes, Drill Pipes, Casing, Tubing, other hot-finished and cold-finished pipes and tubes of circular and non-circular cross section of stainless steel defined according the custom nomenclature as « *Alloy steels containing, by weight, 1,2 % or less of carbon and 10,5 % or more of chromium, with or without other elements* », hereby called the PRODUCT.

### **2 – Like product**

The Product exported to the European Union from People's Republic of China, the product produced and sold on its domestic market as well as the product produced and sold in the European Union by the EU producers have the same basic physical, technical and chemical characteristics as well as the same uses and can therefore be considered as like products within the meaning of Article 1(4) of the basic Regulation.

### **3 - Product utilization**

The PRODUCT is mainly used in the following industries

- Chemical and petrochemical
- Fertilizer production
- Power Generation
- Civil engineering and construction
- Pharmacology and medical technologies
- Biotechnology
- Environment engineering
  - Water treatment
  - Waste incineration
- Oil and gas exploration and production
- Coal and gas processing
- Food processing
- Mechanical engineering

The main evidences provided conclude to:

#### **4 - Likelihood of continuation dumping**

China is a non-market economy country. For the purposes of this application, the Applicant provides data on normal value by reference to profitable domestic prices of SSPT actually paid in an analogue country, pursuant to Article 2(7)(a) of the basic Regulation. The Applicant computed the normal value on the basis of 3 possibilities:

- the United States of America (“U.S.”), the same country already proposed in the original investigation, but which was not finally used by the Commission during its investigation
- the price actually paid or payable in the Union for the like product, duly adjusted to include a reasonable profit, as provided for as an alternative in Article 2(7)(a) of the Basic Regulation, and since it was the methodology used by the Commission in the original investigation
- and the domestic prices in South Korea, which is a very significant producing country of SSPT and meets all criteria requested for an analogue country.

In the case of USA, information on Normal Value was based on confidential price information obtained from one US producer in the form of its sales price-list and conditions and the dumping margin computed on the basis of 6 Chinese offers totalling a very significant tonnage. In the case of the price actually paid or payable in the Union, it was based on the domestic price in EU in the form of the price list and sales condition of an EU producer, and the dumping margin computed on the basis of 6 Chinese offers totalling a very significant tonnage. It was alternatively computed by reference to the average domestic sales price of the Complainants compared to the Chinese export price to the 5 largest countries where China exports, plus EU. In the case of South Korea, it was computed by comparison between the domestic Korean prices obtained on an offer and a Chinese offer on the EU market.

By these 4 different methods the dumping margin of Chinese imports between April 2015 and March 2016 is found to range between 20,8% and 347,6%, depending on the product type and the country used for computing the normal value. In addition to the current heavy dumping practice, Chinese official customs export statistics demonstrate that Chinese exporting producers continue their dumping practices on third country markets as well by exporting their products at a price significantly lower than those to the EU.

The existence of dumping while the product concerned is subject to an anti-dumping duty and lower Chinese sales prices to third countries form a strong indication that, should the measure be allowed to lapse, dumping will continue at even higher levels.

#### **5 - Likelihood of recurrence of injury**

The general market structure in the EU has remained unchanged since the original investigation leading to the imposition of the anti-dumping duty. During the reference period, the EU consumption first increased, then decreased practically to the same level than in 2012. Although the anti-dumping measure entailed a sharp decrease of imports from China, the market share of the Union sales decreased from 64 % to 56 %, due to a surge of imports declared as being from Indian origin. Since the profitability of the Union industry is closely linked to its level of activity, its profitability which had originally recovered due to the imposition of the AD measures against China then sharply decreased.

An analysis of the EU custom trade statistics shows that the imports declared as originating from China have significantly decreased since the imposition of the anti-dumping measures by the

Council in 2011, whilst imports declared as originating from India have almost increased at the previous level of the Chinese imports. It is assumed that this typical change of pattern of trade is the result of various frauds for which OLAF was alerted, and from circumvention through India against which the complainant is considering the filing of a petition.

A study of the Chinese industry shows that the exporting Chinese producers, with the support of high Export Tax Rebates, have the potential to substantially raise their exports volume to the Union by using their available spare capacity, and that there are no other world markets which could absorb the Chinese available capacity.

Considering that the Union industry is still in a fragile situation and has not fully recovered yet from previous trade-distorting practices caused by Chinese imports, the current overcapacity problem in China makes it inevitable that Chinese exports to the Union market will increase and injury will worsen or recur should the anti-dumping measure expire.

Based on data provided by the Applicant and official data sources such as Eurostat, up to March 2016 the Union industry has not fully recovered from the trade-distorting practices of Chinese producers. The Union industry is also facing a contraction in domestic consumption. In addition, the low capacity utilization and the fact that the Union market share just managed to achieve a similar level as before the measure was imposed indicate the Union industry is still in a recovery phase. Correlated to the Union market share in the consumption, employment decreased by 10 % between 2012 and March 2016, and could fall drastically should the anti-dumping measure be allowed to expire.

Furthermore, a comparison of prices of dumped imports with the prices charged by Union producers in their sales on the Union market demonstrates that Chinese imports still undercut heavily the Union industry's prices.

## **6 - Conclusion**

In light of the above, the Applicant respectfully submits that the expiry of the anti-dumping measure would lead to a significant increase of imports from China at heavily dumped prices, thereby increasing undercutting margins and resulting in the continuation or recurrence of injury.

## **7 - Parties concerned:**

All producers or traders of SSPT in China exporting to the EU are concerned by this investigation, as well as the Union producers and importers of the PRODUCT.