

## COMMISSION REGULATION (EU) No 812/2010

of 15 September 2010

**imposing a provisional anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community<sup>(1)</sup> (the basic Regulation), and in particular Article 7 thereof,

After consulting the Advisory Committee,

Whereas:

**A. PROCEDURE****1. Initiation**

(1) On 17 December 2009, the Commission announced, by a notice published in the *Official Journal of the European Union*<sup>(2)</sup>, the initiation of an anti-dumping proceeding with regard to imports of certain continuous filament glass fibre products originating in the People's Republic of China ('PRC' or the 'country concerned').

(2) The proceeding was initiated as a result of a complaint lodged on 3 November 2009 by APFE - European Glass Fiber Producers Association ('the complainant') on behalf of producers representing a major proportion, in this case more than 50 %, of the total Union production of certain continuous filament glass fibre products. 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 a proceeding.

**2. Parties concerned by the proceeding**

(3) The Commission officially advised the complainant, other known Union producers, the exporting producers and the representatives of the PRC, importers, suppliers and users known to be concerned, as well as their associations, of the initiation of the proceeding. Interested parties were given an opportunity to make their views known in writing and to request a hearing within the time limit set in the notice of initiation.

(4) All interested parties, who so requested and showed that there were particular reasons why they should be heard, were granted a hearing.

(5) In view of the apparent high number of exporting producers, importers and Union producers, sampling was envisaged in the notice of initiation for the determination of dumping and injury, in accordance with Article 17 of the basic Regulation. In order to enable the Commission to decide whether sampling would be necessary and, if so, to select a sample, all exporting producers, importers and Union producers were asked to make themselves known to the Commission and to provide, as specified in the notice of initiation, basic information on their activities related to the product concerned during the investigation period (1 October 2008 – 30 September 2009).

(6) Eight Chinese exporting producers or groups of exporting producers and seven Union producers or groups of producers provided the requested information and agreed to be included in the sample. After examination of the information submitted, and given the high number of exporting producers and Union producers which indicated their willingness to cooperate, it was decided that sampling was necessary with regard to these producers (see recitals (12) and (13) below).

(7) With regard to unrelated importers, at the sampling stage of the investigation, only three importers provided the requested information within the deadlines set out in the notice of initiation. It was therefore decided not to apply sampling and to send questionnaires to all importers that had come forward.

(8) In order to allow the sampled exporting producers in the PRC to submit a claim for market economy treatment ('MET') or individual treatment ('IT'), if they so wished, the Commission sent claim forms to the sampled exporting producers. All sampled (groups of) companies requested MET pursuant to Article 2(7) of the basic Regulation or IT should the investigation establish that they did not meet the conditions for MET.

(9) The Commission officially disclosed the results of the MET findings to the exporting producers concerned in the PRC, the authorities of the PRC and the complainant. They were also given an opportunity to make their views known in writing and to request a hearing if there were particular reasons to be heard.

<sup>(1)</sup> OJ L 343, 22.12.2009, p. 51.

<sup>(2)</sup> OJ C 307, 17.12.2009, p. 39.

- (10) The Commission sent questionnaires to the sampled exporting producers, sampled Union producers, to importers, and to all known users and user associations. Full questionnaire replies were received from the sampled exporting producers in the PRC, from all sampled Union producers, two importers and 13 users.
- (11) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury or threat of injury and Union interest. Verification visits were carried out at the premises of the following companies.

(a) *Exporting producers in the PRC*

- Chongqing Polycomp International Corporation ('CPIIC')
- Jushi Group (Jushi Group Co., Ltd.; Jushi Group Chengdu Co., Ltd.; Jushi Group Jiujiang Co. Ltd.; Jushi P-D Interglas Co. Ltd.; China National Building Materials & Equipment Import and Export Corporation; CNBM International Corporation; Tongxiang Leishi Mineral Powder Co., Ltd.; Tongxiang Juzhen Mining Co., Ltd.; Tongxiang Jinshi Precious Metal Equipment Co., Ltd.; Zhejiang Songyang Mingshi Mining Co., Ltd. and Zhenshi Group Zhejiang Yushi Int Logistics), and
- New Changhai Group (Changzhou New Changhai Fiberglass Co., Ltd. and Jiangsu Changhai Composite Materials Holding Co., Ltd.)

(b) *Union producers*

- Johns Manville Slovakia, Trnava, Slovakia
- European Owens Corning Fiberglas, Brussels, Belgium
- Owens Corning France, Chambéry, France
- PPG Industries BV, Hoogezand, The Netherlands

(c) *Union users*

- Sabic Europe BV, Sittard, The Netherlands and Genk, Belgium
- Sabic Innovative Plastics BV, Bergen op Zoom, The Netherlands

(d) *Producer in the analogue country*

- Cam Elyaf Sanayii A.Ş, Turkey.

### 3. Sampling

- (12) Out of the eight Chinese exporting producers or groups of exporting producers which came forward, the Commission selected, in accordance with Article 17 of the basic Regulation, a sample based on the largest representative volume of exports which could reasonably be investigated within the time available. The sample selected consists of three (groups of related) companies, representing over 70 % of the export volume of the co-

operating parties from the PRC to the EU. In accordance with Article 17(2) of the basic Regulation, the parties concerned were consulted and raised no objection.

- (13) With regard to Union producers, seven producers provided the requested information and agreed to be included in the sample. On the basis of the information received from these cooperating Union producers, the Commission selected a sample of the three biggest in terms of sales and production (groups of) Union producers representing 64 % of the sales by all cooperating Union producers.

### 4. Investigation period

- (14) The investigation of dumping and injury covered the period from 1 October 2008 to 30 September 2009 ('investigation period' or 'IP'). The examination of trends relevant for the assessment of injury covered the period from 2006 to the end of the investigation period ('period considered').

## B. PRODUCT CONCERNED AND LIKE PRODUCT

### 1. Product concerned

- (15) The product concerned as described in the Notice of initiation is chopped glass fibre strands, of a length of not more than 50 mm; glass fibre rovings; slivers and yarns of glass fibre filaments; and mats made of glass fibre filaments excluding mats of glass wool and currently falling within CN codes 7019 11 00, 7019 12 00, 7019 19 10 and ex 7019 31 00 ('the product concerned').
- (16) The product concerned is the raw material most often used to reinforce thermoplastic and thermoset resins in the composites industry. The resulting composite materials (glass fibre reinforced plastics) are used in a large number of industries: automotive industry, electric/electronics, wind mill blades, building/construction, tanks/pipes, consumer goods, aerospace/military, etc.
- (17) There are four basic types of continuous filament glass fibre products covered by this proceeding – i.e. chopped strands, rovings, mats (other than of glass wool) and yarns. The investigation has shown that, despite differences in appearance and possible differences in final applications of various types, almost all the different types of the product concerned share the same basic physical, chemical and technical characteristics and are basically used for the same purposes. It was however found that slivers do not share the same basic chemical, physical and technical characteristics since they are not continuous filament glass fibres, but discontinuous strands of irregular length. The investigation also showed that certain very specific types of rovings and certain very specific types of yarns that are currently covered by CN Codes 7019 12 00 and 7019 19 10 respectively should be excluded since these types are specially treated by coating and impregnating and have a loss on ignition of more than 3 %, giving them different physical and chemical characteristics.

- (18) Several downstream users of yarns have claimed that the latter should be excluded completely from the product scope of the proceeding, given the almost non-existing production base in the Union as well as lack of substitutability between yarns and other product types.
- (19) However, the investigation has shown that at least one way demand substitutability exists (i.e. the yarn can be used in a number of applications instead of other types even if – given a relatively higher price of yarns - this would not always be an economically viable option) and the limited production base of a certain product type cannot per se be a reason for excluding such type from the product scope, as long as it shares the same basic physical, chemical and technical characteristics and uses with other types. Given that continuous glass fibre filament yarns have the same essential characteristics as other continuous glass fibre filament products and they are interchangeable to a certain extent, it was provisionally concluded that there were no grounds to exclude yarns from the product definition. It is however noted that special attention will be given to the further assessment of this claim.

## 2. Like product

- (20) The product concerned and the continuous glass fibre filament products produced and sold on the domestic market of the PRC, and on the domestic market of Turkey, which served provisionally as an analogue country, as well as the continuous glass fibre filament products produced and sold in the Union by the Union industry were found to have the same basic physical, chemical and technical characteristics and uses. Therefore, these products are provisionally considered to be alike within the meaning of Article 1(4) of the basic Regulation.
- (23) In the present investigation, all three sampled exporting producers or groups requested MET pursuant to Article 2(7)(b) of the basic Regulation and replied to the MET claim form within the given deadlines:
- Chongqing Polycomp International Corporation ('CPIC')
  - Jushi Group, and
  - New Changhai Group.
- (24) For all the above mentioned sampled exporting producers or groups, the Commission sought all information deemed necessary and verified the information submitted in the MET claim forms and all other information deemed necessary at the premises of the companies in question.
- (25) The investigation established that two sampled exporting producers/groups in the PRC did not meet the requirements of the criteria set forth in Article 2(7)(c) of the basic Regulation to be granted MET.
- (26) In particular, one exporting producer/group could not demonstrate that its business decisions were sufficiently free from State interference. The majority of the directors on its Board of Directors were appointed by a majority State owned company. Consequently the State could successfully stop any decision from being taken. It is thus clear that the State plays a major role in the decision making process of the company. In addition, the company could not demonstrate that it has a clear set of accounting records that is independently audited and in line with international accounting standards as the taxable income of the company was not correctly disclosed in the financial statements.

## C. DUMPING

### 1. Market economy treatment ('MET')

- (21) Pursuant to Article 2(7)(b) of the basic Regulation, in anti-dumping investigations concerning imports originating in the PRC, normal value shall be determined in accordance with paragraphs 1 to 6 of the said Article for those producers which were found to meet the criteria laid down in Article 2(7)(c) of the basic Regulation.
- (22) Briefly, and for ease of reference only, these criteria are set out in summarised form below:
1. business decisions and costs are made in response to market conditions and without significant State interference;
  2. accounting records are independently audited, in line with international accounting standards and applied for all purposes;
  3. there are no significant distortions carried over from the former non-market economy system;
- (27) The other sampled exporting producer/group also could not demonstrate that its business decisions were sufficiently free from State interference. Two traders of the group are State owned enterprises. The State can also significantly interfere in the decision making of one exporting producer of the group due to the implicit veto power via the director representing the State owned parent company. This producer is in turn the mother company and major shareholder of two other exporting producers in the group and thus the State can also significantly interfere in their decision making. Moreover, three exporting producers from the group could not show that they fulfil criterion 2 as in the case of two of them the tax preferential treatment was not mentioned in the financial statements while as for the third one, the audit did not appear to be independent. In addition, five companies in the group failed to meet criterion 3 (mainly due to non-market oriented prices for the land use rights).

(28) One sampled exporting producer, consisting of a group of two related companies, demonstrated that they fulfilled all the criteria of Article 2(7)(c) and could be granted MET.

(29) Following disclosure of the MET findings, comments were received from the Union industry and two sampled exporting producers/groups, which were proposed not to be granted MET. However, none of the comments received was of a nature as to change the findings in this regard.

## 2. Individual treatment ('IT')

(30) Pursuant to Article 2(7)(a) of the basic Regulation, a country-wide duty, if any, is established for countries falling under that Article, except in those cases where companies are able to demonstrate that they meet all criteria set out in Article 9(5) of the basic Regulation. Briefly, and for ease of reference only, these criteria are set out below:

— in the case of wholly or partly foreign owned firms or joint ventures, exporters are free to repatriate capital and profits;

— export prices and quantities, and conditions and terms of sale are freely determined;

— the majority of the shares belong to private persons. State officials appearing on the Boards of Directors or holding key management positions shall either be in minority or it must be demonstrated that the company is nonetheless sufficiently independent from State interference;

— exchange rate conversions are carried out at the market rate; and

— State interference is not such as to permit circumvention of measures if individual exporters are given different rates of duty.

(31) The two above mentioned sampled companies/group of companies, which were denied MET, also claimed IT in the event that they would not be granted MET.

(32) On the basis of the information available, it was found that both companies/group of companies concerned failed to demonstrate that they cumulatively met all the requirements for IT as set forth in Article 9(5) of the basic Regulation. Namely, it was established that the companies failed to meet the criterion stipulated in Article 9(5)(c) of the basic Regulation that the majority of the shares belong to private persons or are sufficiently independent from the State, since as explained in recitals (26) and (27), all companies were found to be ultimately

majority State owned or controlled. Also, as mentioned above, it was found that both these (groups of) companies failed to demonstrate that they fulfil the criterion set forth in Article 9(5)(e), namely that their decision making is free from significant State interference permitting circumvention of measures if the companies were given different rates of duty. Consequently, their claims for IT had to be rejected.

(33) It was therefore concluded that IT should not be granted to any of the sampled exporting producers/groups, which were denied MET.

## 3. Normal value

3.1. Determination of the normal value for the exporting producer/group granted MET

(34) In accordance with Article 2(2) of the basic Regulation, the Commission first established for that exporting producer, whether its total domestic sales of continuous fibre glass products were representative, i.e. whether the total volume of such sales represented at least 5 % of its total volume of export sales of the product concerned to the Union. The investigation established that the domestic sales of the like product were representative.

(35) The Commission subsequently identified those product types sold domestically by the companies having overall representative domestic sales that were identical or closely resembling with the types sold for export to the Union.

(36) For each type sold by the exporting producer on their domestic market and found to be comparable with the type of continuous fibre glass products sold for export to the Union, it was established whether domestic sales were sufficiently representative for the purposes of Article 2(2) of the basic Regulation. Domestic sales of a particular product type were considered sufficiently representative when the volume of that product type sold on the domestic market to independent customers during the IP represented around 5 % of the total volume of the comparable product type sold for export to the Union. The investigation established that for all but four product types there were representative domestic sales.

(37) The Commission subsequently examined whether each type of the product concerned sold domestically in representative quantities could be considered as being sold in the ordinary course of trade pursuant to Article 2(4) of the basic Regulation. This was done by establishing for each product type the proportion of profitable sales to independent customers on the domestic market during the investigation period.

- (38) Where the sales volume of a product type, sold at a net sales price equal to or above the calculated cost of production, represented more than 80 % of the total sales volume of that type, and where the weighted average sales price was equal to or higher than the unit cost, normal value, by product type, was calculated as the weighted average of all domestic sales prices of the type in question.
- (39) Where the volume of profitable sales of a product type represented 80 %, or less of the total sales volume of that product type, or where the weighted average price of that type was below the unit cost, normal value was based on the actual domestic price, which was calculated as the weighted average price of only the profitable domestic sales of the type in question.
- (40) Where the product types were all sold at a loss, it was considered that they were not sold in the ordinary course of trade.
- (41) The investigation established that the profitable sales of all but one comparable product type were more than 80 % of total domestic sales and, thus, all domestic sales were used in calculating the average price for normal value. For one product type only the profitable sales were used. For sales of the four product types which were not sold in representative quantities on the domestic market, the Commission used for normal value representative domestic prices of closely resembling types, duly adjusted.
- 3.2. Determination of normal value for exporting producers/groups not granted MET
- (a) *Analogue country*
- (42) In accordance with Article 2(7) of the basic Regulation, normal value for companies to which MET could not be granted was established on the basis of the prices or constructed value in an analogue country.
- (43) In the notice of initiation, the Commission indicated its intention to use Turkey as an appropriate analogue country for the purpose of establishing normal value for the PRC and invited interested parties to comment on this.
- (44) Two interested parties came forward and stated that Turkey would not be an appropriate analogue country, without however substantiating this further. Another interested party commented on the choice of analogue country and suggested that India should be used instead as India would be at a comparable level of development as the PRC, the markets would be comparable as in both markets the wind power applications would be very important and comparable types would be produced in a similar manner. Moreover, the Indian market was described as open market with significant imports. Lastly, it was mentioned that access to raw materials would be comparable in both countries.
- (45) The Commission sought the co-operation of the like product producers in Turkey, Canada, USA, the Republic of Korea and India. However, only the sole Turkish producer expressed its willingness to co-operate and provided a questionnaire reply.
- (46) It is recognised that Turkey is a representative analogue country in terms of domestic sales volume. However, the normal value for one type of the like product which is not produced in Turkey would need to be constructed. It is also noted that the ongoing Turkish anti-dumping investigation for imports of continuous glass fibre products points to possible price depression on the domestic Turkish market. However, given that Turkey was the only country that agreed to co-operate in this investigation, it is provisionally concluded that Turkey should be used as an analogue country.
- (b) *Determination of normal value*
- (47) Pursuant to Article 2(7)(a) of the basic Regulation, normal value for the exporting producers not granted MET was established on the basis of the verified information received from the producer in the analogue country, in accordance with the general methodology set out above for the group of companies granted MET. Where product types in the domestic market of the analogue country were all sold at a loss or where no resembling types were sold, the normal value was constructed pursuant to Article 2(3) and 2(6) of the basic Regulation.
- 4. Export price**
- (48) In the majority of cases the product concerned was exported to independent customers in the Union, and therefore, the export price was established in accordance with Article 2(8) of the basic Regulation, namely on the basis of export prices actually paid or payable.
- (49) In the case of few export sales of one exporting producer to its related companies in the Union, it was established that they were for captive use and consequently were not used in the provisional dumping calculation.
- 5. Comparison**
- (50) The normal value and export prices were compared on an ex-works basis. For the purpose of ensuring a fair comparison between the normal value and the export price, due allowance in the form of adjustments was made for differences affecting prices and price comparability in accordance with Article 2(10) of the basic Regulation. Appropriate adjustments were granted in all cases where they were found to be reasonable, accurate and supported by verified evidence. An adjustment was granted for indirect taxes, ocean freight and insurance, freight in the exporting country, level of trade (for differences in distribution channel), warranty expenses, credit costs and bank charges.

## 6. Dumping margins

- (51) The provisional dumping margins were expressed as a percentage of the CIF Union frontier price, duty unpaid.
- (52) For the co-operating group of exporting producers which was granted MET, an individual dumping margin was established on the basis of a comparison of the weighted average normal value with the weighted average export price, in accordance with Article 2(11) and (12) of the basic Regulation.
- (53) The dumping margin for sampled companies not granted MET or IT and for the non-sampled co-operating companies was calculated as an average of the three sampled companies/group of companies.
- (54) Given the high level of co-operation in the investigation, the co-operating companies representing around 100 % of all imports from the PRC during the IP, for any non-cooperating companies, the country wide margin was established using the highest of the margins found for the sampled (groups of) companies.
- (55) On this basis, the provisional levels of dumping are as follows:

Company	Provisional dumping margin
New Changhai Group	8,5 %
Other cooperating companies	43,6 %
Residual	43,6 %

## D. INJURY

### 1. Union production and Union industry

- (56) During the IP, the like product was manufactured by 11 producers in the Union. Seven of these 11 producers cooperated with the investigation. These seven producers were all members of the complainant and they were found to account for a major proportion, in this case more than 90 %, of the total Union production of the like product. Of the remaining four Union producers one was also a complainant, two have actively supported the complaint whereas the fourth has neither supported nor opposed it. The 11 producers therefore constitute the Union industry within the meaning of Article 4(1) and Article 5(4) of the basic Regulation and will be hereafter referred to as the 'Union industry'.

- (57) As indicated under recital (13) above, a sample of three producers was selected, representing ca. 64 % of the total Union production. As two of these producers were groups of related companies, with several producing entities in the Union, the sample was constituted by nine individual companies in total.
- (58) Some interested parties alleged that the sampled Union producers should not be considered as Union industry given that all three of them had related Chinese producers manufacturing the product concerned. The investigation confirmed that indeed two of the three sampled Union producers had related Chinese producer companies. However, it was found that, despite the relationship, these two sampled Union producers did not behave in any way to render the findings of the investigation unreliable. The volumes that these Union producers imported from their related companies in the PRC are limited (less than 4 % of imports from the PRC). In addition, these imports can be considered as negligible as compared to the total production of the Union producers concerned, which should by no means be viewed as importers as they are clearly genuine glass fibre producers. Finally, the injury indicators relating to the Union producers concerned were not affected by these limited imports. In view of the above the Commission considered that there were no grounds to exclude any of the sampled Union producers from the definition of Union industry within the meaning of Article 4(1) of the basic Regulation.

### 2. Union consumption

- (59) Union consumption was established on the basis of the sales volumes of the Union industry on the Union market and the import volumes data for the Union market obtained from Eurostat.
- (60) Union consumption dropped strongly by 24 % between 2006 and the IP. The consumption had however slightly increased in 2007 and first half of 2008.

Table 1

Union consumption				
	2006	2007	2008	IP
Units (tonnes)	982 831	1 043 611	1 035 795	748 045
Indexed	100	106	105	76

### 3. Imports from the country concerned

#### 3.1. Volume of dumped imports

- (61) The volume of imports from the PRC of the product concerned on the Union market has been significantly increasing over the period considered. Overall, during the period considered, imports from the PRC increased by more than 50 %. In particular, between 2006 and 2008 imports from the PRC have more than doubled. They decreased in the IP as compared to 2008, but the rate of this decrease (25 %) was lower than that of the decline in consumption (28 %).

Table 2

Imports from the PRC (volumes)				
	2006	2007	2008	IP
Units (tonnes)	77 283	122 190	155 875	116 413
<i>Indexed</i>	100	158	202	151

#### 3.2. Market share of dumped imports

- (62) The market share of dumped imports from the PRC has continuously increased over the period considered. In the IP, Chinese imports held a market share of 15,6 %, which is almost the double of their market share in 2006.

Table 3

Imports from the PRC (market share)				
	2006	2007	2008	IP
Market share (%)	7,9 %	11,7 %	15,0 %	15,6 %
<i>Indexed</i>	100	149	191	198

#### 3.3. Prices

##### (a) Price evolution

- (63) The table below shows the average price of dumped imports from the PRC, at the European border duty unpaid, as reported by Eurostat. The average price of imports from the PRC remained substantially stable during the period considered. This could be observed despite a significant worldwide increase of raw material prices used for manufacturing continuous filament glass fibres during the period considered (as also shown in Table 18).

Table 4

Imports from the PRC (prices)				
	2006	2007	2008	IP
Average price/tonne (EUR)	930	936	970	943
<i>Indexed</i>	100	101	104	101

##### (b) Price undercutting

- (64) A type-to-type price comparison was made between the selling prices of the Chinese exporting producers and the sampled Union producers' selling prices in the Union. To this end, the sampled Union producers' prices to unrelated customers have been compared with the prices of sampled exporting producers of the country concerned. Adjustments were applied where necessary to take account of differences in the level of trade and post-importation costs.
- (65) The comparison showed that, during the IP, imports of the product concerned originating in the PRC were sold in the Union at prices which undercut the Union industry prices, when expressed as a percentage of the latter, by 23 % to 39 %.

### 4. Economic situation of the Union industry

#### 4.1. Preliminary remarks

- (66) Pursuant to Article 3(5) of the basic Regulation, the Commission examined all relevant economic factors and indicators having a bearing on the state of the Union industry. The data presented below relate to the whole Union industry for sales and market shares, and to the sampled producers for all the remaining indicators.

#### 4.2. Production

- (67) The Union production volumes remained relatively stable from 2006 to 2008, but they fell sharply during the IP:

Table 5

Union industry - production				
<i>sampled producers</i>	2006	2007	2008	IP
Units (tonnes)	495 942	508 837	502 729	312 824
<i>Indexed</i>	100	103	101	63

#### 4.3. Production capacity and capacity utilisation

- (68) The production capacity of the Union industry developed as follows:

Table 6

Union industry - production capacity				
<i>sampled producers</i>	2006	2007	2008	IP
Capacity (tonnes)	575 900	573 600	585 350	510 700
<i>Indexed</i>	100	100	102	89
Capacity utilisation (%)	86 %	89 %	86 %	61 %
<i>Indexed</i>	100	103	100	71

- (69) During the IP, production capacity was reduced. Indeed, in view of the price erosion and loss of market share caused by the dumped imports from the PRC, several production lines were dismantled, temporarily closed, or curtailed. In spite of this decrease in production capacity, the capacity utilisation rate went down from 86 % to 61 %, i.e. by 29 %.

#### 4.4. Stocks

- (70) The table below shows that the stocks first decreased in 2007, when consumption was peaking, but they then increased strongly in 2008 in view of the sudden fall in demand in the fourth quarter of that year. During the IP, the stock levels returned to more normal levels.

Table 7

Union industry - stocks				
<i>sampled producers</i>	2006	2007	2008	IP
Units (tonnes)	88 968	73 018	123 910	82 160
<i>Indexed</i>	100	82	139	92

#### 4.5. Sales volumes (total Union industry)

- (71) The sales volume of all Union producers on the EU market, including the sales for captive use, developed as follows:

Table 8

Union industry - EU sales (volumes)				
<i>all EU producers</i>	2006	2007	2008	IP
Units (tonnes)	737 818	743 784	706 746	520 064
<i>Indexed</i>	100	101	96	70

- (72) The sales volumes of the Union industry as a whole went down by 30 %. In 2007, while Union consumption grew by 6 % (as shown in Table 1 above), the sales volume of the product concerned by the Union industry on the Union market increased by only 1 %. This means that the Union industry could not benefit from the increased consumption in that period. Subsequently, in 2008 and the IP, the sales volume of the Union industry decreased strongly.

#### 4.6. Market share (total Union industry)

- (73) The market share of the Union industry decreased strongly in 2007 and 2008 after which there was a slight recovery in the IP. However, overall, the Union industry lost 5,6 percentage points in market share during the period considered, whereby as shown in Table 3 above, the market share of dumped imports from the PRC has almost doubled over the period considered.

Table 9

Union industry - EU market share				
<i>all EU producers</i>	2006	2007	2008	IP
EU market share (%)	75,1 %	71,3 %	68,2 %	69,5 %
<i>Indexed</i>	100	95	91	93

#### 4.7. Sales prices

- (74) As concerns average sales prices, the table below shows that the Union industry has not been able to increase sales prices to unrelated customers during the period considered. On the contrary, average sales prices have decreased by 2 % which is the more remarkable in the context of increasing raw material prices. In fact, the Union industry did not have the possibility to reflect in the selling prices the increase in raw material costs, due to the downward pressure on price levels in the Union market exerted by the dumped imports from the PRC.

Table 10

Union industry - EU sales (average prices)				
<i>sampled producers</i>	2006	2007	2008	IP
EUR/tonne	1 179	1 166	1 192	1 159
<i>Indexed</i>	100	99	101	98

## 4.8. Employment

- (75) The employment level of the Union producers shows that the Union industry has rationalized production throughout the period considered, with the objective of reducing manufacturing costs and counterbalancing the increase in raw material costs. Indeed, the number of employees decreased by 20 percentage points over the whole period, with a decrease of 15 percentage points concentrated in the period between 2007 and the IP.

Table 11

Union industry - employment				
<i>sampled producers</i>	2006	2007	2008	IP
Number of employees	4 114	3 890	3 705	3 302
<i>Indexed</i>	100	95	90	80

## 4.9. Productivity

- (76) As a result of the efforts of the Union industry described in the previous recital, the productivity of the Union producers' workforce increased significantly in 2007 and 2008. This positive development reversed during the IP, resulting in an overall loss of productivity by 21 % over the period considered. This reverse in productivity was due partly to the collapse in demand and partly to the dumped imports from the PRC strongly undercutting the prices of the Union industry, which resulted in a substantial drop in production and thus an increase in employment per unit of glass fibre produced.

Table 12

Union industry - productivity				
<i>sampled producers</i>	2006	2007	2008	IP
tonnes/employee	121	131	136	95
<i>Indexed</i>	100	108	113	79

## 4.10. Wages

- (77) During the period considered, the Union industry has managed to control the development of labour costs. Indeed, the table below shows that the average yearly wages slightly increased in 2007 and 2008, but they decreased in the IP. Over the whole period, unit labour costs went down by 3 %. This decrease would have been more explicit, however, had the amounts of severance payments been excluded from the above trend.

Table 13

Union industry - labour costs				
<i>sampled producers</i>	2006	2007	2008	IP
yearly wages (EUR)	42 649	43 257	43 991	41 394
<i>Indexed</i>	100	101	103	97

## 4.11. Profitability and return on investments (ROI)

- (78) Profitability of the Union industry was established by expressing the pre-tax net profit of the sales of the like product as a percentage of the turnover of these sales. In establishing the profitability of the Union producers, the verified figures have been corrected in order to prevent this analysis from being influenced from extraordinary company-specific issues which had a disproportionate impact on those companies' profit figures in a given period. Following these corrections, the sampled producers' profitability and return of investments linked to the sales of the like product in the Union developed as follows during the period considered:

Table 14

Union industry - profitability & return on investments (ROI)				
<i>sampled producers</i>	2006	2007	2008	IP
net profit (as % of turnover)	0,3 %	4,7 %	3,5 %	- 15,0 %
ROI	2,5 %	6,2 %	3,0 %	- 16,8 %

- (79) As the above table shows, the Union industry could achieve limited profit levels during most of the period considered, with some exception in the year of 2007 when the average profitability rate reached 4,7 %. The profits have turned into an enormous loss during the IP: the average loss rate of the Union industry being as low as 15 %.

- (80) As concerns the return on investments ('ROI'), expressed as the profit in percent of the net book value of investments, this indicator appears to have followed the profitability trend. Overall, the return on investments remained rather limited throughout the whole period considered, with the exception of 2007. Finally, in the IP, the average ROI of the Union industry dropped to - 16,8 %.

- (81) The above fragile financial situation was in spite of the increased consumption during the period between 2006 and 2008, as described in recital (60) above, and the efforts of the Union industry to rationalize production costs, as described in recitals (75) and (76) above. During the period considered, the strongly growing volumes of low-priced dumped imports from the PRC have affected the sales volumes of the Union industry and resulted also in serious price erosion. These factors have had an impact on the financial situation of the Union industry. This is best illustrated by the dramatic loss of 15 % during the IP.

#### 4.12. Cash flow and ability to raise capital

- (82) The net cash flow from operating activities developed as follows:

Table 15

Union industry - cash flow				
<i>sampled producers</i>	2006	2007	2008	IP
cash flow (EUR)	34 261 986	17 230 139	7 452 912	- 22 001 723
<i>Indexed</i>	100	50	22	- 64

- (83) The above table confirms the fragile financial situation of the Union industry in the period 2006-2008 and the resulting dramatic deterioration in the IP.

#### 4.13. Investments

- (84) During the period considered, the investments of the sampled producers developed as follows:

Table 16

Union industry - investments				
<i>sampled producers</i>	2006	2007	2008	IP
net investments (EUR)	40 089 991	20 804 311	43 613 463	28 387 044
<i>Indexed</i>	100	52	109	71

- (85) During the peak years 2006 and 2008, the level of investments was relatively high in view of furnace rebuilds. In this capital intensive industry, furnaces have to be rebuilt every 7 to 10 years and the costs associated with rebuilding a furnace can amount to EUR 8 million - EUR 13 million (range given for reasons of confidentiality). A good part of the other, more structural high investment costs is linked to the alloy consumption from the bushings and the consequent rebuilding of bushings.

#### 4.14. Magnitude of the actual dumping margin

- (86) The dumping margins for imports from the PRC, as specified above in recital (55), are very high. Given the volume, market share and prices of the dumped imports, the impact of the margins of dumping cannot be considered to be negligible.

### 5. Conclusion on injury

- (87) In spite of serious efforts undertaken by the Union industry to increase its competitiveness, most injury indicators pertaining to the Union industry developed negatively during the period considered. This is particularly noticeable when analysing the indicators related to the financial performance of the Union industry, notably the return on investments, cash flow and profitability, all of which developed dramatically. In addition, the indicators concerning production, production capacity, capacity utilisation, sales volumes and market share have also confirmed a clearly deteriorating trend.

- (88) At the same time, glass fibres imports from the PRC were undercutting Union industry prices by up to 39 % during the IP and the Union industry lost 5 percentage points market share within less than four years.

- (89) In the light of the foregoing, it is provisionally concluded that the Union industry has suffered material injury within the meaning of Article 3(5) of the basic Regulation.

## E. CAUSATION

### 1. Introduction

- (90) In accordance with Article 3(6) and Article 3(7) of the basic Regulation, the Commission examined whether the dumped imports have caused injury to the Union industry to a degree that enables it to be classified as material. Known factors other than the dumped imports, which could at the same time have injured the Union industry, were also examined to ensure that possible injury caused by these other factors was not attributed to the dumped imports.

### 2. Effect of the dumped imports

- (91) Between 2006 and the IP, the volume of the dumped imports of the product concerned increased in terms of volume by 51 %, which resulted in an increase of Union market share by 98 %, from 7,9 % to 15,6 %.
- (92) The increase in dumped imports of the product concerned from the PRC over the period considered coincided with a downward trend in most injury indicators of the Union industry. The Union industry lost 5,6 percentage points of market share and its sales prices decreased by 2 % due to the price pressure exerted by low-priced dumped imports on the Union market. The significant price undercutting prevented the Union industry from passing on the increased production costs in the sales prices to an acceptable extent, which resulted in low and, during the IP, negative profitability levels.
- (93) It is also notable that the market share of dumped imports from PRC continued to increase even during the IP. In other words, as also referred to in recital (62) above, the volume of dumped imports from the PRC decreased at a lower pace than the Union consumption.
- (94) Certain interested parties claimed that there is no causal link between dumped imports and the injury suffered by the Union industry. One of the arguments raised in this respect was that the price difference between Chinese and Union sales prices has been fairly constant throughout the whole period considered, while the profitability of the Union industry fluctuated at the same time. In this respect it must be borne in mind that it is not only the level of prices but also the volume of the already low-priced dumped imports that has put a strong pressure on the sales of the Union industry. Furthermore,

even if other factors may have also played a role in the aggravated state of the Union industry, thus also affecting to some extent the profitability development of the Union industry, by no means can this mitigate the impact of the dumped imports from the PRC constantly undercutting the Union prices, particularly given that this occurred at a relatively stable rate despite the changes in the market such as consumption growth and fall or raw material price developments.

- (95) A similar argument has been put forward regarding the alleged lack of relation between the profitability figures of the Union industry and the development of their market share. Indeed, for instance, the profitability levels of the Union industry temporarily improved from 2006 to 2007 despite the drop in their market share. This was partly due to enhanced conditions on the Union market in the year of 2007 (see the 6 % increase in Union consumption as mentioned in recital (60) above). More importantly however, in the years of 2006 and 2007 the Union industry focused on rationalisation of its production by reducing manufacturing costs, which also had an impact on their profitability levels. As another example, between 2008 and the IP, the market share of the Union industry slightly rose while its profitability rate fell to a severe loss of 15 %. However, in the same period the dumped imports from the PRC could also raise their market share, while they still largely undercut the sales prices in the Union. This resulted in the huge loss realised by the Union industry. Indeed both above cases show that one or two separate indicators cannot in themselves be taken into account when measuring the effect of dumped imports on the state of the Union industry.
- (96) Based on the above it is provisionally concluded that the low-priced dumped imports from the PRC, which entered the Union market in large and constantly increasing volumes and which significantly undercut the Union industry prices throughout the period considered, had a considerably negative impact on the economic situation of the Union industry.

### 3. Effect of other factors

#### 3.1. Imports from third countries

- (97) During the period considered, there were limited imports from other third countries. The total market share of imports from countries other than the PRC has decreased by 2 percentage points, from 17 % to 15 %. The second largest source of imports, Norway, held a market share of 3,3 % during the IP. Turkey had a market share of 2,5 % during the IP and the fourth largest source of imports, USA, had a market share of less than 2 % during the IP.

Table 17

Imports from other countries					
Country		2006	2007	2008	IP
Norway	Volumes (tonnes)	34 990	28 834	35 410	24 993
	Market share (%)	3,6 %	2,8 %	3,4 %	3,3 %
	Av. price (EUR)	1 254	1 412	1 360	1 256
Turkey	Volumes (tonnes)	28 981	25 035	20 658	18 874
	Market share (%)	2,9 %	2,4 %	2,0 %	2,5 %
	Av. price (EUR)	1 097	1 155	1 202	1 077
USA	Volumes (tonnes)	22 921	24 246	20 447	13 569
	Market share (%)	2,3 %	2,3 %	2,0 %	1,8 %
	Av. price (EUR)	2 309	2 101	2 506	2 615
Malaysia	Volumes (tonnes)	9 541	25 569	35 200	12 601
	Market share (%)	1,0 %	2,5 %	3,4 %	1,7 %
	Av. price (EUR)	979	1 019	1 022	1 025
Taiwan	Volumes (tonnes)	19 318	18 150	14 655	11 285
	Market share (%)	2,0 %	1,7 %	1,4 %	1,5 %
	Av. price (EUR)	1 193	1 146	1 069	975
India	Volumes (tonnes)	4 365	11 231	3 757	5 361
	Market share (%)	0,4 %	1,1 %	0,4 %	0,7 %
	Av. price (EUR)	1 308	1 232	1 315	1 240
Rep. of Korea	Volumes (tonnes)	7 959	5 974	13 934	5 116
	Market share (%)	0,8 %	0,6 %	1,3 %	0,7 %
	Av. price (EUR)	1 430	1 607	894	1 004
Japan	Volumes (tonnes)	21 671	10 727	11 174	4 609
	Market share (%)	2,2 %	1,0 %	1,1 %	0,6 %
	Av. price (EUR)	1 197	1 315	1 401	1 804
Mexico	Volumes (tonnes)	4 894	9 713	7 226	3 689
	Market share (%)	0,5 %	0,9 %	0,7 %	0,5 %
	Av. price (EUR)	1 488	1 204	1 289	1 359
Canada	Volumes (tonnes)	4 136	3 309	2 196	2 244
	Market share (%)	0,4 %	0,3 %	0,2 %	0,3 %
	Av. price (EUR)	1 303	2 025	1 761	2 146
Other countries	Volumes (tonnes)	8 954	14 848	8 519	9 227
	Market share (%)	0,9 %	1,4 %	0,8 %	1,2 %
	Av. price (EUR)	1 517	1 527	1 891	1 615

- (98) The above table, which is based on Eurostat data, also shows that the average Union border price levels of other imports are generally much higher than prices of imports from the PRC, as summarized in recital (63) above. Comparing these Eurostat prices with the Union industry sales prices reported in recital (74) above, imports from Turkey appeared to be undercutting the Union industry prices during the IP. However, imports from Turkey represented in the IP a market share of 2,5 % only and that is below their market share in 2006. Moreover, prices of these imports were constantly largely above the price levels of imports from the PRC, exceeding the latter by 14 % to 23 %. Imports from Malaysia, Taiwan and the Republic of Korea appear also to be below the Union industry's prices, however, their market shares are limited and shrinking as well. Therefore, imports from Turkey, Malaysia, Taiwan and the Republic of Korea, or any other third country imports, were not considered as having had a negative impact on the Union industry's situation. On these grounds, it is reasonably to provisionally conclude that imports from other countries did not break the causal link between the dumping found and the material injury suffered by the Union industry.
- 3.2. Impact of the economic crisis
- (99) Several parties claimed that the injury suffered by the Union industry was caused by the economic crisis which had resulted in a sharp decline in demand.
- (100) Indeed, a strong drop in Union consumption could be observed between 2008 and the IP, as stated in recital (60) above. This decrease amounted to 28 % and it is recognized that it is caused by the economic crisis which hit the Union in that period. Most of the sectors using products which contain the product under investigation (car industry, wind energy, construction, etc) were seriously affected by the crisis and that resulted, at the beginning of the chain, in a drop in demand for glass fibres.
- (101) However, the negative effect of the economic downturn and the contraction in demand was exacerbated by the increased dumped imports from the PRC, which significantly undercut the prices of the Union industry. Even if the economic downturn could therefore be considered as contributing to the injury during the IP, this cannot in any way diminish the damaging injurious effects of low priced dumped imports from the PRC in the Union market over the whole period considered. Even in a situation of decreasing sales, the Union industry could have been able to maintain an acceptable level of volumes and prices, thereby limiting the negative effects of a drop in consumption. Nevertheless, this could have only been possible in the absence of the unfair competition of low priced dumped imports in the market. Moreover, the impact of the Chinese dumped imports that largely undercut the Union sales prices during the IP can be considered as even more injurious in a period of economic crisis.
- (102) Given the above circumstances, the economic downturn cannot be considered as a possible cause breaking the causal link between the injury suffered by the Union industry and the dumped imports from the PRC.
- 3.3. Evolution of Chinese import volumes and the Union industry's financial situation
- (103) Certain interested parties claimed that there is no causal link between dumped imports and the financial situation of the Union industry given that the latter achieved the best profitability rates in the years when imports from the PRC of the product concerned were at their highest volumes, and had its worst performance when imports from the PRC dropped to their lowest level during the period considered.
- (104) In this respect, it is first noted that the development of consumption, in particular the economic downturn during the IP, has definitely had an effect on both the volumes of imports from the PRC and the financial situation of the Union industry, given the global character of the crisis.
- (105) However, as already stated above, the dumped imports from the PRC have largely undercut the sales prices of the Union industry in the IP, i.e. during the economic downturn. This was compounded by the fact that the exporting producers from the PRC have managed to slightly further increase their market share even in the period of economic downturn, while the Union industry has realised severe losses due to their inability to sell at more beneficial prices.
- (106) Indeed, it can be considered that the above price undercutting parallel to the increasing market share of dumped imports from the PRC have caused even more injury to the Union industry than as if it had been the case in a period without volatile consumption due to an economic downturn.
- (107) In view of the above, by no means can it be concluded that the comparison of the mere trends of volumes of dumped imports from the PRC and the financial performance of the Union industry could be interpreted as a factor breaking the causal link between dumped imports and the injury suffered by the Union industry.

### 3.4. Fall in export sales and/or captive use sales of the Union industry

(108) It was alleged by certain interested parties that the deterioration of the profitability of the Union industry was caused by the fall in export sales or the fall in production for captive use rather than by the fall of their sales within the Union. In this respect it should firstly be recalled that, with the exception of sales volumes, all injury indicators, including the profitability, have been assessed on the basis of the sales on the Union market to unrelated parties. In other words, both export sales and sales for captive use have been excluded from that calculation. Secondly, it is true that the export sales volumes have decreased at a slightly faster pace than Union sales, but this is not the case for the production for captive use which represented, throughout the period considered, between 22,4 % and 24,4 % of the total Union sales. Moreover, in view of the weight of the export sales as compared to the EU sales of the Union industry (fluctuating between 10 % and 14 % throughout the period considered), these sales cannot be considered so significant as to put into question the causal link between dumped imports and the impact on the Union industry. This argument is therefore dismissed.

### 3.5. Increased capacity of the Union industry and increased cost of production

(109) It was argued by an interested party that the decline of the state of the Union industry was due to an erroneous decision to increase capacities. In this respect, it should first be mentioned that the glass fibres market has been for several years a growing market and the decision to increase capacity at certain plants cannot be considered as unreasonable business planning in a situation of growing consumption. Moreover, it is noted that, on the whole, over the period considered, the capacity of the Union industry actually decreased (see recital (68) above).

(110) In any event, it must be noted that the Union industry has managed to cut the cost per unit of the main raw materials despite the increase of raw material cost prices during the period considered:

Table 18

Cost of raw material and cost per unit of glass fibre produced				
	2006	2007	2008	IP
Price/tonne of raw material (*)	100	106	104	102
Cost of raw material/tonne of glass fibre (*)	100	99	97	94

(\*) indexed

(111) The above development of cost of raw material per unit of glass fibre manufactured has been due to investments targeting increased efficiency and competitiveness.

Indeed, the Union industry has implemented several measures to enhance and rationalise production processes and input costs during the period considered.

(112) As concerns labour costs, as already stated in recitals (75) to (77) above, the Union industry reduced its number of employees by 20 % over the period considered, while the average wages have been lowered even without excluding the impact of sizeable severance payments.

(113) For the above reasons, the argument stating that the deteriorated state of the Union industry has actually been caused by the increased cost of production, possibly due to inefficiencies or high labour costs, is therefore dismissed.

### 3.6. Competitiveness of dumped imports from the PRC and self-inflicted injury by related Chinese producers

(114) It has been claimed that it is the production scale and the modern technology applied by the Chinese exporters that caused injury, rather than dumping of the product under investigation. Actually, on the whole it can be established that Union producers also have large scale production as well as up to date production processes.

(115) An interested party stated that the Union industry could have in fact caused self-inflicted injury to itself by the imports from the Chinese producers related to them. In this context, it must be noted that, as stated in recital (58) above, the volume of such imports has been very limited, both in terms of the production of the Union industry and the imports of the product concerned from the PRC.

(116) Therefore, neither the lack of competitiveness nor the imports from related Chinese producers could be considered as a factor breaking the causal link between dumped imports from the PRC and the established injury.

## 4. Conclusion on causation

(117) In conclusion, the above analysis has demonstrated that imports of glass fibres from the PRC have increased substantially in terms of quantities over the period considered, gradually eroding the market share of the Union industry. Moreover, these increased quantities which entered the Union market at dumped prices, severely undercut the Union industry prices, thereby impeding the Union industry to pass on to its customers the increase in the cost of raw materials. Though for a certain period the Union industry had been able to offset the negative effects of this pressure by operating gains in efficiency, this was no longer possible when the economic crisis substantially reduced the level of demand.

- (118) Other factors which could have caused injury to the Union industry have also been analysed. In this respect, it was found that imports from third countries, the impact of the economic crisis, the development of other sales by the Union industry and other factors including those mentioned in recitals (97) to (116) above, do not appear to be such as to break the causal link established between the dumped imports and the injury suffered by the Union industry.
- (119) Based on the above analysis, which has properly distinguished and separated the effects of all known factors having an effect on the situation of the Union industry from the injurious effect of the dumped imports, it is provisionally concluded that the imports from the PRC have caused material injury to the Union industry within the meaning of Article 3(6) of the basic Regulation.

#### F. UNION INTEREST

- (120) In accordance with Article 21 of the basic Regulation, the Commission examined whether, despite the conclusions on dumping, injury and causation, compelling reasons existed which would lead to the conclusion that it is not in the Union interest to adopt measures in this particular case. For this purpose and pursuant to Article 21(1) of the basic Regulation, the Commission considered the likely impact of possible measures on all parties involved as well as the likely consequences of not taking measures.
- (121) The Commission sent questionnaires to independent importers and users. In total, 60 questionnaires were sent out. Eventually, two importers and 13 users submitted a questionnaire reply within the time limits set. In addition, several importers and users came forward in the course of the proceeding with letters expressing opposition to any possible measures in this case.

##### 1. Interest of the Union industry

- (122) As indicated in recital (56), the like product was manufactured by 11 producers in the Union. The eight complainants represented more than 90 % of the Union production; two others supported the complaint whilst the 11th company neither supported nor opposed it.
- (123) The three sampled companies, which accounted for ca. 60 % of the total Union production, employed 3 300 persons directly involved in the production, sales and administration of the like product. It is recalled that the injury indicators showed an overall negative trend and that in particular the injury indicators related to market share and the financial performance of the Union industry, such as profitability, return on investment and cash flow, were seriously affected. In particular, over the period considered, the profitability

of the Union industry fell from an already very low level of 0,3 % to -15,0 %, while their market share decreased by 5,6 percentage points.

- (124) If measures are imposed, it is expected that the price depression and loss of market share will come to an end and that the sales prices of the Union industry will start to recover, resulting in a significant improvement of the Union industry's financial situation.
- (125) On the other hand it is likely that the deterioration of the Union industry's market and financial situation would continue should anti-dumping measures not be imposed. In such a scenario, it is expected that the Union industry will lose further market share and it will no longer be able to follow the market prices set by imports from the PRC. Further cuts in production and investments and the closure of more production facilities in the Union will be the likely effect, resulting in massive job losses.
- (126) Accordingly, it is provisionally concluded that the imposition of anti-dumping measures would clearly be in the interest of the Union industry.

##### 2. Interest of unrelated importers in the Union

- (127) As indicated above, sampling was not applied for the unrelated importers and two unrelated importers fully cooperated in this investigation by submitting a questionnaire reply. Only a small part of the turnover of these two importers (7 % and 25 % respectively) was generated through their activities with regard to the product concerned from the PRC. They both opposed an eventual imposition of anti-dumping measures as they considered that it could lead to a cessation of imports of the product concerned from the PRC.
- (128) The imports declared by these two importers however represented a very small proportion of all imports from the PRC in the IP (less than 1 %). No other importers have cooperated by submitting a questionnaire reply or substantiated comments. On that basis, it is provisionally concluded that the imposition of provisional measures will not have negative effects on the interest of the EU importers to any significant extent.

##### 3. Interest of the users

- (129) Filament glass fibres subject to this proceeding are used for a large number of applications. Cooperation was obtained from the following user groups: weavers (both of high-end specialist fabrics and of more standard fabrics, e.g. for wind energy turbines, marine, transportation, aerospace and infrastructural applications); liner producers; manufacturers of compounds, inter alia used in the automotive industry; producers of composite semi-finished products or end-products.

(130) The volumes of the product concerned from the PRC purchased by the cooperating users represented ca. 20 % of the glass fibres imports from the PRC during the IP. From the information submitted through the questionnaire replies it further appears that the Union users' industry employs a significant number of people. Although in this respect, at this stage, no comprehensive and substantiated data has been submitted, the number of people working in the downstream industry in the EU can, on the basis of the information contained in these questionnaire replies, provisionally be estimated at 50 000 – 75 000. On the same basis, the employment of the glass fibre using divisions of those companies that used Chinese glass fibres during the IP can be estimated at ca. 27 000.

(131) Most of the cooperating users reported to buy glass fibres from Chinese as well as other sources, including European producers. Only a few of them bought their glass fibres exclusively from the PRC. In this sector, there is not only a wide variety in the activities of the downstream industry, but the size of these companies can also vary to a significant degree – and certain of them are part of internationally operating larger groups of companies whereas others are fully independent.

#### 3.1. Possible impacts of measures on users' profitability

(132) On the basis of the questionnaire replies, the glass fibres user industry appears to be in a relatively healthy state. Indeed, most of the cooperating users reported profits on the production and sales of their products which contained the product under investigation throughout the period considered including the IP. However, a few users reported a loss on this activity during the IP but the profit of several others was in the range between 5 % and 10 %.

(133) The glass fibres purchase costs represent, in general, a significant part of the manufacturing costs of the user industry's products. According to the reported data this share can, depending on the product made of it, range from 10 % to more than 50 %. Therefore, for certain users an increase in the purchase costs of Chinese glass fibres may have a noticeable cost impact.

(134) On the basis of the information contained in the questionnaire replies of the cooperating users, on average, the possible profit impact of the anti-dumping measures can be estimated around 1 % on the turnover of those divisions of the user companies that use glass fibres, but less than 0,5 % on the turnover of the total companies within which glass fibre using divisions exist. In other words, the profitability of a glass fibre

using division, and that of a total company, would be affected, respectively, on average by around one and less than half a percentage point.

(135) It should be noted, however, that in the case of certain user companies, the above impact could be higher, up to ca. 5 % of their company turnover. In view of the profit levels of certain users and the share of glass fibres in their production costs, it cannot be excluded that their profitability could be affected by a strong price increase of glass fibres, unless such cost increase can be passed on, entirely or at least for a good part, to their customers.

(136) All in all, it can provisionally be concluded that, while some user companies might be more affected by the possible impact of the anti-dumping measures, other users are likely to be affected to a rather moderate extent.

#### 3.2. Lack of interchangeability

(137) It was claimed by several users that many of the glass fibres needed by the user industry could not be purchased off-the-shelf. Instead, suppliers would need to go through a lengthy and complicated qualification process which could take 6 to 12 months, without a guarantee of success. Therefore, to change supplier in order to avoid paying anti-dumping duties would be costly, impossible in the short term and risky from a technological point of view.

(138) In this respect, it is recognised that, in particular applications, the characteristics of the product under investigation can indeed result in a lengthy qualification process which includes testing. However, also in view of the comments received from several users, at this moment it appears that for most of the cases multiple sources exist. It should also be recalled that anti-dumping measures are not meant to deny certain suppliers' access to the Union market – as any measure proposed is only meant to restore fair trade and correct a distorted market situation.

(139) Therefore, it is provisionally concluded that imposing measures on Chinese glass fibres will unlikely result in a temporarily cessation of raw material supply to the user industry.

#### 3.3. Inability to pass on cost price increases and increased competition from non-EU downstream products

(140) Several users submitted that they would not be in a position to pass on the glass fibres price increases to the customers of their products. These users mentioned that there was fierce competition on their products' markets and that their customers would easily switch supplier if they would increase prices.

- (141) Given the diversity of the user companies, it is difficult to assess overall the ability of the users to pass on potential cost price increases to their customers. Nonetheless, on the basis of the data contained in the questionnaire replies of the users, it can be assumed that even if a given user could not pass on most of its cost price increase, in most cases its turnover and profitability would be affected only to a limited extent.
- (142) As concerns the competition, several users further expressed the concern that the imposition of anti-dumping duties would lead to an increase of competition from non-EU suppliers on the downstream market, as downstream products would not be subject to any protective measures, and a shift of imports from the PRC, from the glass fibres to the downstream products like compounds, fabrics and composite blades for wind turbines. In fact, as concerns the PRC, it was submitted that there was already competition from the PRC on many of these markets and that it would only be logical that this competition would be increased by the imposition of measures against glass fibres. So the user industry, it was argued, would not only have to pay higher prices for their glass fibres, but it would also have to deal with increased competition. In such business environment, it was argued, it would not be possible to pass on a significant part of any price increase to the customers.
- (143) In this respect, it should be noted that the fact that the imposition of anti-dumping measures might trigger more competition cannot be a reason not to impose such measures, if warranted. The European glass fibres user industry has the same rights as the glass fibres manufacturing industry and it would be fully entitled to resort to the EU trade law and request an anti-dumping investigation for their products, if they have sufficient standing and can demonstrate *prima facie* evidence of injurious dumping.
- (144) Therefore, the above argument concerning a potential increase in competition from non-EU downstream products cannot justify the non-imposition of anti-dumping measures.

#### 3.4. Shortage of supply

- (145) Several users submitted that, after the IP, there was already a shortage of supply on the Union market, and that the imposition of anti-dumping measures would aggravate this situation, as it would lead to reduced imports from the PRC whereas these imports are needed in view of the strong and growing demand.
- (146) The complainants acknowledged that there was a bottleneck of supply of certain product groups manufactured by the Union industry, but they considered it as temporary and due to stock shortages following the

recovery of the market after the economic crisis. They also submitted that the Union industry would be able to meet the predicted future growth in demand by the EU downstream industries, notably by using their idle capacity which could easily be restarted, further technological improvements and furnace rebuilds, in case healthy profitability levels were restored.

- (147) In this respect, it should first be noted that the purpose of anti-dumping measures is to remedy unfair trading practices having an injurious effect on the Union industry and re-establish a situation of effective competition on the EU market, not to obstruct imports. Therefore, although EU price levels of the product concerned originating in the PRC would most likely increase following the imposition of anti-dumping measures, the measures as proposed are not such as to close the Union market for the exporting producers from the PRC and will therefore allow the continued presence of imports of the product concerned from the PRC on the Union market.
- (148) As concerns the ability of the Union industry to supplement any potential lack of supply of Chinese glass fibres, it should be noted that the current level of capacity utilisation of the Union industry appear to ascertain that the demand on the market could meet complete supply. Indeed, even the totality of the 116 413 tonnes of Chinese imports of glass fibres during the IP could theoretically be supplemented by the idle capacity of the Union industry which was estimated as close to 200 000 tonnes during the IP.
- (149) In view of the above, it can provisionally be concluded that the issue of a potential shortage of supply can be addressed by extended capacity utilisation of the Union industry, by other imports as well as by non-dumped imports of the product concerned from the PRC.

#### 4. Conclusion on Union interest

- (150) To conclude, it is expected that the imposition of measures on dumped imports of the product concerned from the PRC would provide an opportunity for the Union industry to improve its situation through increased sales volumes, sales prices and market share. While some negative effects may occur in the form of cost increases for certain users, they are likely to be outweighed by the expected benefits for the producers and their suppliers.
- (151) In the light of the above, it is provisionally concluded that on balance, no compelling reasons exist against the imposition of provisional measures on imports of the product concerned originating in the PRC. However, this preliminary assessment may require further careful analysis following comments of interested parties.

## G. PROVISIONAL ANTI-DUMPING MEASURES

(152) In view of the conclusions reached with regard to dumping, injury, causation and Union interest, provisional measures should be imposed on imports of the product concerned originating in the People's Republic of China in order to prevent further injury to the Union industry by the dumped imports.

### 1. Injury elimination level

(153) The provisional measures on imports originating in the PRC should be imposed at a level sufficient to eliminate the injury caused to the Union industry by the dumped imports, without exceeding the dumping margin found. When calculating the amount of duty necessary to remove the effects of the injurious dumping, it is considered that any measures should allow the Union industry to cover its costs of production and obtain overall a profit before tax that could be reasonably achieved under normal conditions of competition, i.e. in the absence of dumped imports.

(154) The Union industry has claimed that for the determination of the injury elimination level a target profit of 12 % to 15 % should be used. However, the evidence provided so far does not convincingly show that such a profit level is the minimum necessary to ensure the viable business activity of the Union industry in this business sector. In the absence of solid evidence supporting a higher level of target profit, it has been provisionally considered that a target profit of 5 % would appear appropriate for the determination of the injury elimination level.

(155) On this basis, a non-injurious price was calculated for the Union industry of the like product. The non-injurious price has been established by deducting the actual profit margin from the ex-works price and adding to the thus calculated break even price the above-mentioned target profit margin.

(156) As a result, the following injury elimination levels have provisionally been established:

Company	Injury elimination level
New Changhai Group	61,4 %
Other cooperating companies	104,2 %
Residual	104,2 %

### 2. Provisional measures

(157) In the light of the foregoing and pursuant to Article 7(2) of the basic Regulation, it is considered that a provisional anti-dumping duty should be imposed on imports of the

product concerned originating in the PRC at the level of the lowest of the dumping margin and injury elimination level found, in accordance with the lesser duty rule, which is in all cases the dumping margin.

(158) Given the very high rate of co-operation of Chinese exporting producers, the provisional duty rate for co-operating exporting producers which were not granted individual treatment or examination and for any non co-operating exporting producers is the same. On the basis of the above, the proposed duty rates are:

Company	Provisional duty
New Changhai Group	8,5 %
Other cooperating companies	43,6 %
All other companies	43,6 %

(159) 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 countrywide duty applicable to 'all other companies') are thus exclusively applicable to imports of products originating in the country concerned and produced by the companies and thus by the specific legal entities mentioned. Imported products 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'.

(160) 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 Commission <sup>(1)</sup> 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.

(161) In order to ensure a proper enforcement of the anti-dumping duty, the duty level for all other companies 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.

<sup>(1)</sup> European Commission  
Directorate-General for Trade  
Direction H  
Office Nerv- 105  
B-1049 Brussels.

**H. FINAL PROVISION**

(162) In the interest of sound administration, a period should be fixed within which the interested parties which made themselves known within the time limit specified in the notice of initiation may make their views known in writing and request a hearing. Furthermore, it should be stated that the findings concerning the imposition of duties made for the purposes of this Regulation are provisional and may have to be reconsidered for the purpose of any definitive measures,

HAS ADOPTED THIS REGULATION:

*Article 1*

1. A provisional anti-dumping duty is hereby imposed on imports of chopped glass fibre strands, of a length of not more than 50 mm; glass fibre rovings, excluding glass fibre rovings which are impregnated and coated and have a loss on ignition of more than 3 % (as determined by the ISO Standard 1887); yarns of glass fibre filaments, excluding yarns that are impregnated and coated and have a loss on ignition of more than 3 % (as determined by the ISO Standard 1887); and mats made of glass fibre filaments excluding mats of glass wool currently falling within CN codes 7019 11 00, ex 7019 12 00, ex 7019 19 10 and ex 7019 31 00 (TARIC codes 7019 31 00 29, 7019 12 00 21, 7019 12 00 22, 7019 12 00 23, 7019 12 00 24, 7019 12 00 39, 7019 19 10 61, 7019 19 10 62, 7019 19 10 63, 7019 19 10 64, 7019 19 10 65, 7019 19 10 66, 7019 19 10 79 and 7019 31 00 99) and originating in the People's Republic of China.

2. The rate of the provisional anti-dumping duty applicable to the net free-at-Union-frontier price, before duty, of the products described in paragraph 1 and manufactured by the companies listed below, shall be as follows:

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 15 September 2010.

Company	Anti-dumping duty (%)	TARIC additional code
Changzhou New Changhai Fiberglass Co., Ltd. and Jiangsu Changhai Composite Materials Holding Co., Ltd., Tangqiao, Yaoguan Town, Changzhou City, Jiangsu	8,5	A983
All other companies	43,6	A999

3. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security, equivalent to the amount of the provisional duty.

4. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

*Article 2*

Without prejudice to Article 20 of Council Regulation (EC) No 1225/2009, interested parties may request disclosure of the details underlying the essential facts and considerations on the basis of which this Regulation was adopted, make their views known in writing and apply to be heard orally by the Commission within one month of the date of entry into force of this Regulation.

Pursuant to Article 21(4) of Regulation (EC) No 1225/2009, the parties concerned may comment on the application of this Regulation within one month of the date of its entry into force.

*Article 3*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Article 1 of this Regulation shall apply for a period of six months.

For the Commission  
The President  
José Manuel BARROSO