

COMMISSION IMPLEMENTING REGULATION (EU) 2015/83**of 21 January 2015****imposing a definitive anti-dumping duty on imports of monosodium glutamate originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 1225/2009**

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 ⁽¹⁾ ('the basic Regulation'), and in particular Article 11(2), (5) and (6) thereof,

Whereas:

A. PROCEDURE**1. Measures in force**

- (1) Following an anti-dumping investigation ('the original investigation'), the Council imposed, by means of Regulation (EC) No 1187/2008 ⁽²⁾, a definitive anti-dumping duty on imports of monosodium glutamate originating in the People's Republic of China ('China').
- (2) The imposed measures took the form of an ad valorem duty rate of 39,7 %, with the exception of Hebei Meihua MSG Group Co. Ltd (33,8 %), Tongliao Meihua Bio-Tech Co. Ltd (33,8 %) and Fujian Province Jianyang Wuyi MSG Co. Ltd (36,5 %).

2. Request for an expiry review

- (3) Following the publication of a notice of impending expiry ⁽³⁾ of the anti-dumping measures in force, the Commission received a request for the initiation of an expiry review of these measures pursuant to Article 11(2) of the basic Regulation.
- (4) The request was lodged by Ajinomoto Foods Europe SAS ('the applicant'), the sole Union producer of monosodium glutamate, thus representing 100 % of the total Union production of monosodium glutamate.
- (5) The request was based on the grounds that the expiry of the measures would be likely to result in a continuation or recurrence of dumping and injury to the Union industry.

3. Initiation of an expiry review

- (6) Having determined, after consulting the Advisory Committee, that sufficient evidence existed for the initiation of an expiry review, the Commission announced on 29 November 2013, by a notice published in the *Official Journal of the European Union* ⁽⁴⁾ ('Notice of Initiation'), the initiation of an expiry review pursuant to Article 11(2) of the basic Regulation.

4. Parallel anti-dumping investigation

- (7) In parallel, on the same date, the Commission announced the initiation of an anti-dumping investigation pursuant to Article 5 of the basic Regulation with regard to imports into the Union of monosodium glutamate originating in Indonesia ⁽⁵⁾.

⁽¹⁾ OJ L 343, 22.12.2009, p. 51.

⁽²⁾ Council Regulation (EC) No 1187/2008 of 27 November 2008 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of monosodium glutamate originating in the People's Republic of China (OJ L 322, 2.12.2008, p. 1).

⁽³⁾ OJ C 60, 1.3.2013, p. 10.

⁽⁴⁾ OJ C 349, 29.11.2013, p. 14.

⁽⁵⁾ Notice of Initiation of an anti-dumping proceeding concerning imports of monosodium glutamate originating in Indonesia (OJ C 349, 29.11.2013, p. 5).

- (8) In that investigation, the Commission imposed in August 2014, by means of Regulation (EU) No 904/2014 ⁽¹⁾, a provisional anti-dumping duty on imports of monosodium glutamate originating in Indonesia ('provisional regulation'). The provisional measures were imposed for a period of six months.
- (9) The two parallel investigations covered the same (review) investigation period and the same period considered as defined in recital 10.

5. Investigation

Relevant periods covered by the expiry review investigation

- (10) The investigation of the likelihood of continuation or recurrence of dumping and injury covered the period from 1 October 2012 to 30 September 2013 (the 'review investigation period'). The examination of the trends relevant for the assessment of the likelihood of a continuation or recurrence of injury covered the period from 1 April 2010 to the end of the review investigation period (the 'period considered') ⁽²⁾.

Parties concerned by the investigation and sampling

- (11) The Commission officially advised the applicant, exporting producers, importers and users in the Union known to be concerned and the representatives of the exporting country concerned of the initiation of the expiry review.
- (12) Interested parties were given the opportunity to make their views known in writing and to request a hearing within the time-limit set in the Notice of Initiation. All interested parties, who so requested and showed that there were particular reasons why they should be heard, were granted a hearing.
- (13) In view of the apparent large number of Chinese exporting producers as well as unrelated importers in the Union, sampling was envisaged in the Notice of Initiation in accordance with Article 17 of the basic Regulation.
- (14) In respect of the exporting producers in China, in order to enable the Commission to decide whether sampling would be necessary and, if so, to select a representative sample, those parties were requested to make themselves known within 15 days of the initiation of the review and to provide the Commission with the information requested in the Notice of Initiation. Given that only two exporting producers in China provided the Commission with the information requested, sampling was not considered necessary.
- (15) In order to enable the Commission to decide whether sampling would be necessary and, if so, to select a sample, the Commission requested all unrelated importers to make themselves known and to provide the information specified in the Notice of Initiation.
- (16) Fourteen unrelated importers came forward. However, none of these companies imported MSG from China into the Union during the review investigation period. Sampling was therefore not necessary.

Questionnaires and verification

- (17) The Commission sought and verified all the information it deemed necessary for the determination of the likelihood of continuation or recurrence of dumping and resulting injury and for the determination of the Union interest.
- (18) Questionnaires were sent to both Chinese exporting producers that came forward in the sampling exercise, the sole Union producer and 33 identified users in the Union.
- (19) Questionnaire replies were received from the sole Union producer, from one trader and from five users. Neither of the Chinese exporting producers provided a questionnaire reply.
- (20) Verification visits were carried out at the premises of the following companies:

Union producer

— Ajinomoto Foods Europe SAS, Mesnil-Saint-Nicaise, France

⁽¹⁾ Commission Regulation (EU) No 904/2014 of 20 August 2014 imposing a provisional anti-dumping duty on imports of monosodium glutamate originating in Indonesia (OJ L 246, 21.8.2014, p. 1).

⁽²⁾ Coincided with the financial years — April to March — of the sole Union producer (FY2010/2011, FY2011/2012, FY2012/2013, IP).

Users

— AkzoNobel, Amersfoort, the Netherlands

— Unilever, Rotterdam, the Netherlands

Disclosure

- (21) All interested parties were informed of the essential facts and considerations on the basis of which it was intended to recommend maintaining the definitive anti-dumping duty on imports of the product concerned originating in China. The parties were also granted a period within which they could make representations subsequent to this disclosure. Their comments were considered and taken into account where appropriate.

B. PRODUCT CONCERNED AND LIKE PRODUCT

- (22) The product subject to this review is the same as that covered by the original investigation, namely monosodium glutamate ('MSG') originating in China, currently falling within CN code ex 2922 42 00 ('the product concerned'). MSG is a food additive and mainly used as a flavour enhancer in soups, broths, fish and meat dishes, spice blends, and ready-made foods. MSG is also used in the chemical industry for non-food applications such as detergents. It is produced in the form of white, odourless crystals of various sizes. MSG is available in various packing sizes, ranging from consumer packs of 0,5 g to 1 000 kg bulk bags. Smaller packing sizes are sold via retailers to private consumers, while the larger sizes of 20 kg and more are destined for industrial users. In addition, different purity grades exist. However, there are no differences in the characteristics of monosodium glutamate based on pack size or purity grade.
- (23) MSG is mainly produced by fermentation of various sugar sources (corn starch, tapioca starch, sugar syrup, sugar cane molasses and sugar beet molasses).
- (24) The review investigation confirmed that, as in the original investigation, the product concerned and MSG produced and sold on the domestic market in the country concerned, MSG produced and sold by the Union industry on the Union market and MSG produced and sold on the two potential analogue country markets of Thailand and Indonesia have the same basic physical, technical and chemical characteristics and the same basic uses.
- (25) Therefore these products are considered to be like products within the meaning of Article 1(4) of the basic Regulation.

C. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF DUMPING

1. Preliminary remarks

- (26) In accordance with Article 11(2) of the basic Regulation, it was examined whether dumping was currently taking place and whether or not the expiry of the existing measures would be likely to lead to a continuation or recurrence of dumping.
- (27) As mentioned in recitals 18 and 19, while questionnaires were sent to both Chinese exporting producers that came forward in the sampling exercise, none of them provided a reply to the questionnaire and none of them cooperated in the investigation. Therefore use had to be made of facts available in accordance with Article 18 of the basic Regulation.
- (28) The Chinese authorities and non-cooperating Chinese exporting producers were notified of the application of Article 18(1) of the basic Regulation and were given an opportunity to present their comments. No comments were received.
- (29) On this basis, in accordance with Article 18(1) of the basic Regulation, the findings in relation to the likelihood of continuation of dumping set out below were based on facts available, in particular, information in the request for the expiry review and statistics available, namely Eurostat and the Chinese export database.

2. Dumping of imports during the review investigation period

(a) Analogue country

- (30) According to Article 2(7)(a) of the basic Regulation, normal value was determined on the basis of the price or constructed value in a market economy third country for the exporting producers not granted MET. For this purpose, a market economy third country had to be selected ('the analogue country').

- (31) In the Notice of Initiation, the Commission informed interested parties that it envisaged Thailand or Indonesia as possible appropriate analogue countries and invited parties to comment. Thailand was used in the original investigation ⁽¹⁾ as an appropriate analogue country. Indonesia was proposed in the current investigation in view of the fact that, as mentioned in recital 7, a parallel anti-dumping investigation on imports into the Union of MSG originating in Indonesia was initiated on the same date as the current expiry review investigation ⁽²⁾. One interested party claimed that Thailand was not an appropriate analogue country given that the cooperating Thai producer was part of the same company group as the applicant. Moreover, it was argued that there was lack of competition on the Thai market and that the domestic sales in Thailand were mainly in small packaging to the retail level, while exports from China to the Union were allegedly in large bags or bulk for industrial use.
- (32) The Commission asked more than five known producers of the like product in Thailand to provide information. Only one producer in Thailand came forward and submitted a questionnaire reply. This producer was part of the same group as the applicant. In contrast to what was claimed by an interested party, being part of the same group as the applicant does not automatically imply that normal value is not reliable. The interested party concerned did also not explain how the relationship could have had an impact on the normal value on the domestic market in Thailand. Therefore, this argument should be rejected.
- (33) As set out in recital 24, the investigation revealed that MSG produced and sold in the domestic market in Thailand had the same basic technical, physical and chemical characteristics and same basic end uses as the product produced and exported by the Chinese exporting producers to the Union. Furthermore, production processes in China were similar in comparison to those in the Thai market. Finally, in Thailand there was a considerable degree of competition with several domestic producers and imports from other third countries, including China. Moreover, in contrast to what was claimed, the investigation showed that the domestic sales in Thailand were in bulk and in retail. Therefore, the argument that Thailand would not be a suitable choice for an analogue country for those reasons should be rejected.
- (34) The Indonesian exporting producers agreed that their data provided in the context of the parallel investigation mentioned in recital 7 be used for the purpose of the current expiry review investigation. As set out in recital 24 the investigation revealed that MSG produced and sold in the domestic market in Indonesia had the same basic technical, physical and chemical characteristics and same basic end uses than the products produced and exported by the Chinese exporting producers to the Union. Furthermore, on the basis of the information available production processes in China were similar in comparison to the Indonesian market. Finally, in Indonesia there was a considerable degree of competition with several domestic producers and imports from other third countries, including China. Moreover, the investigation showed that the domestic sales in Indonesia were both in bulk and in retail.
- (35) It follows from the above that both countries, Thailand and Indonesia were potentially suitable to be selected as an analogue country. Nevertheless, given that the level of detail available from the Indonesian exporting producers, subject to the parallel investigation was much higher than the one from the sole cooperating producer in Thailand, the Commission considered it more reasonable to select Indonesia as an appropriate analogue country under Article 2(7)(a) of the basic Regulation.
- (b) *Normal value*
- (36) The information received from the cooperating producers in Indonesia was used as a basis for the determination of the normal value for exporting producers in China.
- (37) In accordance with Article 2(2) of the basic Regulation, the Commission first examined whether the total volume of domestic sales for each of the cooperating producers in Indonesia was representative during the review investigation period. The domestic sales were considered representative if the total domestic sales volume of the like product to independent customers on the domestic market represented at least 5 % of the total export sales volume of the product concerned to the Union during the review investigation period. It was found that the domestic sales in Indonesia were representative for each of the producers. It was further examined whether the domestic sales of the like product could be regarded as being made in the ordinary course of trade pursuant to Article 2(4) of the basic Regulation. This was done by establishing the proportion of domestic sales to independent customers on the domestic market which were profitable during the review investigation period.

⁽¹⁾ Regulation (EC) No 1187/2008.

⁽²⁾ OJ C 349, 29.11.2013, p. 5.

- (38) As it was found that domestic sales were made in sufficient quantities and in the ordinary course of trade, normal value was based on actual domestic price, which was calculated as a weighted average of the prices of all domestic sales during the review investigation period.

(c) *Export price*

- (39) In the absence of any cooperation from the Chinese exporting producers, the export price was based on facts available in accordance with Article 18 of the basic Regulation.
- (40) The export price was thus established on the basis of statistics, namely Eurostat, calculated on a weighted average basis.

(d) *Comparison and adjustments*

- (41) The Commission compared the normal value and the export price on an ex-works basis. Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for freight and transport costs, taking into account the adjustments to the normal value of the Indonesian exporting producers as established in the parallel investigation mentioned in recital 41 of the provisional Regulation.
- (42) In addition, one interested party claimed that the Chinese exporting producers have comparative cost advantages over the Thai producers as regards the production process (vertical integration), the evolution of raw material prices and the energy consumption. As Indonesia was used as an analogue country, this argument was irrelevant. Regarding Indonesia and as described in recital 34, the production processes of MSG in China were similar in comparison to the Indonesian market. It should be noted that all MSG producers around the globe use similar production methods. MSG is produced by fermentation of various sugar sources (corn starch, tapioca starch, sugar syrup, sugar cane molasses and sugar beet molasses).

(e) *Dumping margin*

- (43) One interested party claimed that exports from China were mainly in bulk, while domestic sales in Thailand are mainly retail. Therefore, it was argued that the dumping margin should be calculated on the basis of bulk sales only. As none of the Chinese exporting producers cooperated, no information was available as to the sales conditions, level of trade or packaging of Chinese export sales.
- (44) Moreover, as Indonesia was used as an analogue country, this argument was irrelevant. In any event, regardless of whether retail sales were included or not, the comparison resulted in all cases in significant dumping margins as shown in recital 47.
- (45) Furthermore, the Commission calculated dumping margins on the basis of the normal value established in the analogue country. The comparison resulted in significant dumping margins as shown in recital 47.
- (46) The Commission compared the weighted average normal value with the weighted average export price in accordance with Article 2(11) and (12) of the basic Regulation. Given the lack of cooperation of Chinese exporting producers, the product types exported from China could not be determined. Therefore, a comparison per product type was not possible. Instead, the comparison had to be based on the statistical data of the export price as explained in recitals 39 and 40.
- (47) On this basis, the weighted average dumping margin expressed as a percentage of the CIF Union frontier price was over 25 % in all cases.

3. Development of imports should measures be repealed

(a) *Preliminary remark*

- (48) Further to the finding of the existence of dumping during the review investigation period, the likelihood of continuation of dumping should measures be repealed was investigated and the following elements were analysed: volume and prices of dumped imports from China, production capacity and spare capacity in China; the attractiveness of the Union market in relation to imports from China.

(b) *Volume and prices of dumped imports from China*

- (49) Despite the measures in place, the volume of imports from China increased during the period considered by 65 %, with a corresponding increase in market share of 68 % as established in recital 81. However, despite this increase in relative terms, Chinese import volumes and market share in absolute terms remained low during the whole period considered.

- (50) Given the non-cooperation from the Chinese exporting producers, import prices were established on the basis of Eurostat. Average import prices from China decreased continuously from FY2010/2011 until the review investigation period and overall by 20 % over the period considered as established in recital 84 and they were found to be dumped during the review investigation period. It was also established that they would undercut the Union industry sales price on average by more than 10 % if considered without anti-dumping duties.

(c) Production capacity and spare capacity in China

- (51) Production capacity and spare capacity in China were established on the basis of the information provided by the applicant. As these data were not publicly available, the Commission crosschecked them with other publicly available sources, including press articles placed in the file open for inspection by interested parties. On this basis, China is the world's largest MSG producing country with an annual production capacity and annual production which increased during the period considered. In 2012, the production capacity of MSG was in the region of 3,5 to 4 million tonnes while the production of MSG was in the region of 2,5 to 3 million tonnes. Thus, in 2012 spare production capacity was in the region of 600 000-900 000 tonnes.
- (52) According to the same source, MSG production capacity and production in China will grow even further until 2017, as the demand of MSG in China is rising.
- (53) In 2011, the Chinese Government through the Ministry of Industry and Information Technology of China (MIIT) launched a general policy to eliminate old and inefficient plant technology which concerned 19 key industries in China, including MSG. The result has been a significant decline in the number of MSG producers in China. On this basis, one interested party claimed that capacity had likely not increased in China. The investigation has showed on the basis of the information contained in the request and press articles that larger companies have increased their capacity. As a result MSG production capacity in China overall increased and the argument from the party concerned should therefore be rejected.
- (54) Moreover, based on the information provided by the applicant, the inventory of MSG in China has consistently grown in recent years and was more than twice as large as the Union consumption during the review investigation period. One interested party claimed that, as the information on the alleged excess inventory has not been made available in the non-confidential file, it would not be verifiable for the interested parties and should not be taken into account. Moreover, it was claimed that the excess inventory looks unlikely in view of the reduction of capacities by the Chinese government. In this regard, it should be noted that the interested party concerned did not provide any evidence substantiating this claim. Moreover, as already explained in recital 27, no Chinese exporting producer cooperated with the investigation. Therefore, use of facts available had to be made in accordance with Article 18 of the basic Regulation. In addition, under Article 19(3) of the basic Regulation, the Commission may disregard information submitted in confidence in case no meaningful non-confidential summary is provided, but the non-submission of such summary does not lead to the automatic rejection of the information provided in confidence. While not all elements contained in the request could be cross-checked, including the information provided on Chinese inventories, in this case, the information provided was nonetheless considered as reasonable and correct, as it followed the same direction as the information provided by the applicant that could be crosschecked. Furthermore, given that the overall production capacity in China increased as described in recital 51, the excess inventory was not the only element to support the conclusion that Chinese exporting producers possess significant spare capacity. Moreover, the Commission, wherever possible, cross-checked with other available sources such as press articles and only used the information when it was satisfied that it was reasonable and sufficiently reliable. Therefore, this argument should be dismissed.
- (55) Following disclosure, the same interested party claimed that the Commission would not have based its findings on facts as required by Article 11(3) of the WTO Anti-Dumping Agreement ⁽¹⁾ but merely on presumptions. This party reiterated its claims regarding the alleged capacity reduction and the spare capacity in China.
- (56) As mentioned above in recital 27, none of the Chinese exporting producers cooperated in the investigation and therefore the Commission had to base its findings on facts available in accordance with Article 18 of the basic Regulation. As also described above in recitals 29 and 51, the information used was mainly the one provided by the applicant in its application for the request, duly cross checked whenever possible. As this was the only reliable information available, the claim that findings were based on mere presumptions was rejected.

⁽¹⁾ Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement).

- (57) The information provided by the interested party concerned was also considered. However, as regards the available capacity and spare capacity in China, the interested party concerned provided contradictory information. For example, contrary to what that party claimed, the evidence annexed to its submissions showed an increase of MSG capacity in China rather than a decrease. This is in line with the findings of the Commission as set out in recital 53 above. That party's claim that the overall capacity in China would likely decrease was therefore rejected.
- (58) It is therefore concluded that Chinese exporting producers have significant spare capacity which is likely to be used for substantial additional exports to the Union, as explained below in recitals 61 and 62, should the anti-dumping measures lapse.

(d) Attractiveness of the Union market

- (59) During the period considered, due to the measures in place, the Union market represented only a minor part of the Chinese exports. One interested party claimed that the Union would not be an attractive market for Chinese exporting producers as the demand for MSG in Asia and other emerging economies including China is expected to increase. This party further alleged that given that price levels from China to other third countries would be on average higher or similar to Chinese export price levels to the Union, the Chinese exporting producers would not have any incentive to increase their exports to the Union market.
- (60) While the investigation found that Chinese export prices to third countries were on average slightly higher than the export prices to the Union, this may well be due to the fact that Chinese exporting producers decreased their export prices to the Union due to the anti-dumping duties in place. Therefore, it does not necessarily give an indication of the possible level of prices should the measures be allowed to lapse. To the contrary, given the level of the anti-dumping duties in place, Chinese exporting producers would be able to raise their export prices, while still remaining at dumped levels and undercutting the Union industry's sales prices.
- (61) Even if the domestic consumption in China and the consumption in the rest of Asia and other emerging markets are expected to grow, the level of the production overcapacity in China suggests a strong incentive to find alternative markets to absorb this overcapacity.
- (62) The Commission also took into consideration the possible imposition of measures against Chinese MSG exports to the United States of America ('the US') following on-going parallel anti-dumping and anti-subsidy investigations conducted by the US authorities against China concerning the same product. The US authorities indeed imposed definitive anti-dumping measures on 26 November 2014. Four Chinese exporting producers were assigned individual rates, set at 20,09 %, while the residual duty was set at 39,03 %. Consequently, the access to the US market for Chinese exports is likely to be reduced and large quantities of Chinese MSG can likely be re-directed to the Union market, in particular should the measures in the Union be allowed to lapse at the same time. In this regard, it should be noted that in 2013 around 26 600 tonnes of MSG from China were exported to the US, which corresponded to a significant part of the Union consumption during the review investigation period.
- (63) Moreover, the Union industry's average price and the Indonesian exporting producers' average import price in the Union as established in the parallel investigation as mentioned in recitals 61 and 80 of the provisional regulation were both higher when compared to the Chinese average import prices to the Union without anti-dumping duties and to the Chinese average import prices to other third countries. This analysis, given the non-cooperation of the Chinese exporting producers, was based on the information available, i.e. Chinese export data base. The pricing behaviour of Chinese exporters indicated that, should the anti-dumping measures be allowed to lapse, the Union would be an attractive market for Chinese exporters, as they would indeed be able to raise their export prices to the Union.
- (64) The increasing market share of the Chinese imports, despite the measures in force, also showed that the Chinese exporting producers continued to be interested in the Union market. The Union market for MSG remains indeed attractive for Chinese exports, based on the observed price levels. This interest will likely increase should the measure be repealed.
- (65) Following disclosure, the above mentioned interested party reiterated its claims regarding the increasing domestic demand for MSG in China, the low export volumes from China to the Union, its market share and the higher prices of Chinese MSG to the other third countries compared to the Union. This party claimed that these elements had not been taken into consideration in the Commission's analysis.

- (66) Firstly, the claim that that the development of Chinese production capacity and spare capacity, the increasing domestic demand for MSG in China, the low export volumes from China to the Union, its market share as described in recital 49 and Chinese price levels to the Union and other third countries were not taken into consideration is not founded. These elements were indeed analysed as shown above in recitals 49 to 64 and the relevant conclusions were disclosed to the interested parties. Secondly, the party concerned did not provide any new evidence to support its allegations in addition to the elements established by the Commission during the investigation.
- (67) Finally, the party concerned objected to the Commission's assessment in recital 62 that Chinese exports could be re-directed from the US to the Union due to the anti-dumping measures imposed by the US authorities with regard to exports of MSG from China to the US.
- (68) However as already explained in recital 62 it is noted that should the measures in the Union be allowed to lapse, given the anti-dumping measures imposed on Chinese MSG exports to the US, it is likely that the Chinese exports will be re-directed to the Union market.
- (69) Therefore the party's claims in this regard had to be rejected.

4. Conclusion of the likelihood of continuation of dumping

- (70) The foregoing analysis demonstrated that Chinese imports continued to enter the Union market at dumped prices with significant dumping margins. In view of the findings on the significant spare production capacity available in China and the likelihood that exports would be re-directed to the Union market in significant quantities and at dumped prices, the Commission concluded that there is a strong likelihood of continuation of dumping should the measures be removed.

D. DEFINITION OF THE UNION INDUSTRY

- (71) The like product was manufactured by one Union producer during the review investigation period. It constitutes the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (72) As the Union industry is constituted of only one producer all figures related to sensitive data had to be indexed or given in a range for reasons of confidentiality.

E. SITUATION ON THE UNION MARKET

1. Union consumption

- (73) The Commission established the Union consumption by adding the Union industry's sales on the Union market to the imports from China and other third countries, based on Eurostat, and data provided by the Indonesian exporting producers subject to the parallel anti-dumping investigation mentioned in recital 7.
- (74) One interested party claimed that the relevant CN codes in Eurostat also cover other products than the product concerned and the import volume from China may therefore include glutamic acid and its salts. However, as the import data was extracted from Eurostat on TARIC (integrated tariff of the European Union) code level, it only covered the product concerned and this claim was thus rejected.
- (75) The same interested party claimed that not all MSG produced in China and exported to the Union had the purity grade required in the Union for food additives and questioned whether this was accordingly reflected in the import volumes from China. As established in recital 22 all types of MSG irrespective of their purity levels fall within the scope of the current investigation and therefore this claim was rejected.

- (76) On this basis, Union consumption developed as follows:

Table 1

Union consumption (tonnes)

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Index (FY2010/FY2011 = 100)	100	87	93	98

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (77) Union consumption decreased between FY2010/2011 and FY2011/2012, and slightly increased again in FY2012/2013 and the review investigation period. Overall, consumption decreased by 2 % during the period considered. The decrease in consumption between FY2010/2011 and FY2011/2012 was mainly due to a decrease in the sales of the Union industry on the Union market resulting from a decrease in production in the same period (see recital 100). Total imports remained at similar levels in the same period. The increase in consumption in FY2012/2013 is almost exclusively due to an increase in total imports, as sales of the Union industry remained broadly at the same level. Finally, during the review investigation period, while the Union industry's sales decreased again, import volumes increased considerably, notably from Indonesia (see recital 88).
- (78) One interested party claimed that the description of the development in consumption would be incomplete as it did not take into consideration that Vietnamese imports of MSG were replaced by Indonesian imports and that users, as a consequence, no longer anticipated further price increases and reduced their inventories. While it is true that imports of MSG from other third countries included from Vietnam decreased during the period considered and those of Indonesia increased, this does not affect the development of the overall consumption in the Union as such. Likewise, the effects of any developments in import flows and the possible response of economic operators such as users to these developments, have no bearing on the development of consumption as such. This argument was therefore rejected.

2. Imports from the country concerned*(a) Volume and market share of imports from the country concerned*

- (79) The volume and market share of imports from China were established on the basis of Eurostat and data provided by the Indonesian exporting producers subject to the parallel anti-dumping investigation mentioned in recital 7.
- (80) The import volume into the Union from the country concerned and market share developed as follows:

Table 2

Import volume and market share

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
China	Volume (tonnes)	1 518	758	1 923	2 509
	Index	100	50	127	165
	Market share Index	100	57	136	168

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (81) Import volumes from China decreased from FY2010/2011 to FY2011/2012, but increased substantially in FY2012/2013 and again during the review investigation period. Overall, import volume from China went up by 65 % during the period considered. The corresponding market share showed a similar trend, namely it decreased first between FY2010/2011 and FY2011/2012 and then increased substantially up to the review investigation period. Overall, market share increased by 68 % during the period considered. Despite these increases in relative terms, both volume and market share of Chinese imports in absolute terms remained at low levels during the period considered.

(b) *Prices of imports from the country concerned and price undercutting*

- (82) Import prices were established on the basis of Eurostat.
- (83) The table below shows the average price of imports from China:

Table 3

Import prices

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
China	Average price (EUR/tonne) ⁽¹⁾	1 234	1 199	1 143	992
	Index	100	97	93	80

⁽¹⁾ Average price does not include anti-dumping duties in place.

Source: Eurostat.

- (84) Average import prices from China decreased continuously from FY2010/2011 and the review investigation period and overall by 20 % over the period considered.
- (85) The Commission determined the price undercutting during the review investigation period by comparing:
- the weighted average sales prices of the Union industry charged to unrelated customers on the Union market, adjusted to an ex-works level, and
 - the export price established on the basis of the import statistics available to the Commission, namely Eurostat, calculated on a weighted average basis, with appropriate adjustments by adding customs duties, anti-dumping duties and post-importation costs.
- (86) The result of the comparison showed no undercutting of the Union industry's prices by the imports from China on the Union market. However, when discounting the effect of the anti-dumping duties, the undercutting margin reached a level of more than 10 %.

3. Imports from Indonesia

(a) *Volume and market share of imports from Indonesia*

- (87) The Commission established the volume of imports from Indonesia on the basis of Eurostat and data provided by the Indonesian exporting producers in the parallel investigation mentioned in recital 7.
- (88) The imports into the Union from Indonesia and market share developed as follows:

Table 4

Import volume and market share

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Indonesia	Volume (tonnes)	8 638	9 478	18 317	24 385
	Index	100	110	212	282
	Market share Index	100	126	227	287

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (89) Import volumes from Indonesia almost tripled over the period considered. They increased continuously and significantly, by 182 % from 8 638 tonnes in FY2010/2011 to 24 385 tonnes in the review investigation period.
- (90) The corresponding market share almost tripled over the period considered. It increased by 187 %, despite the overall decrease in consumption (– 2 %).

(b) Prices of the imports from Indonesia

- (91) The Commission established the prices of imports on the basis of Eurostat and data provided by the sampled Indonesian exporting producers in the parallel on-going investigation mentioned in recital 7.
- (92) The average import price into the Union from Indonesia developed as follows:

Table 5

Import price

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Indonesia	Average price (EUR/tonne)	1 266	1 279	1 226	1 162
	Index	100	101	97	92

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (93) The average import price of MSG from Indonesia slightly increased between FY2010/2011 and FY2011/2012 before decreasing in FY2012/2013 and even further in the review investigation period. The average import prices of MSG from Indonesia overall decreased by 8 % during the period considered.

4. Imports from other third countries not subject to measures

- (94) The volume, market share and prices of imports from other third countries developed as follows:

Table 6

Imports from other third countries

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Brazil	Volume (tonnes)	2 321	969	1 070	889
	Index	100	42	46	38
	Market share Index	100	48	49	39
	Average price (EUR/tonne)	1 218	1 306	1 402	1 365
	Index	100	107	115	112

Country		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Korea, Republic of	Volume (tonnes)	1 248	2 157	923	802
	Index	100	173	74	64
	Market share Index	100	198	79	65
	Average price (EUR/tonne)	1 231	1 296	1 293	1 277
	Index	100	105	105	104
Vietnam	Volume (tonnes)	5 707	6 042	1 820	769
	Index	100	106	32	13
	Market share Index	100	121	34	14
	Average price (EUR/tonne)	1 284	1 291	1 361	1 318
	Index	100	101	106	103
Other third countries	Volume (tonnes)	993	681	478	434
	Index	100	69	48	44
	Market share Index	100	79	52	45
	Average price (EUR/tonne)	1 594	1 718	2 044	2 001
	Index	100	108	128	126
Total other third countries	Volume (tonnes)	10 268	9 848	4 291	2 894
	Index	100	96	42	28
	Market share Index	100	110	45	29
	Average price (EUR/tonne)	1 293	1 323	1 433	1 424
	Index	100	102	111	110

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (95) Import volumes from other third countries overall decreased from 10 268 tonnes in FY2010/2011 to 2 894 tonnes in the review investigation period, that is by 72 % over the period considered. The corresponding market share decreased by 71 % in the same period. In the review investigation period, the market share of other third countries' imports represented only around one fourth of its level in FY2010/2011. Overall, the prices of third countries' imports increased by 10 % during the period considered.
- (96) An interested party claimed that total imports including those from China and Indonesia have remained stable over the period considered.
- (97) This allegation was in contradiction with the available statistics on which the findings of the investigation are based as shown in Table 7 below. Indeed, total imports in the Union increased by 46 % during the period considered. The claim was therefore rejected.
- (98) Total imports, including China and Indonesia, developed as follows:

Table 7

Total Imports

		FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Total imports	Volume (tonnes)	20 424	20 084	24 531	29 788
	Index	100	98	120	146

Source: Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

5. Economic situation of the Union industry

- (99) In accordance with Article 3(5) of the basic Regulation, the Commission examined all economic factors and indices having a bearing on the state of the Union industry.
- (a) *Production, production capacity and capacity utilisation*
- (100) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 8

Production, production capacity and capacity utilisation

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Production volume Index	100	95	107	91
Production capacity Index	100	100	100	100
Capacity utilisation Index	100	95	107	91

Source: questionnaire reply.

- (101) Production fluctuated during the period considered. While it decreased between FY2010/2011 and FY2011/2012, it increased between FY2011/2012 and FY2012/2013 and reached the lowest levels during the review investigation period. The investigation showed that the fluctuations were mainly caused by the maintenance shutdowns that the Union industry undertook every 15 months and by the poor weather conditions during the winter of 2010/2011, disrupting the supply of one of the main raw materials (ammonia). During the review investigation period, the maintenance shutdown was prolonged in an attempt to lower the high inventories. Overall, the production volume decreased by 9 % during the period considered.
- (102) One party claimed that production volume and capacity utilization decreased only after having increased substantially in the period before the period considered. On this basis the party argued that the decreasing trend of these factors does therefore not show injury. In establishing trends of the various injury indicators, the Commission based its assessment on the period considered which was determined at the initiation of the investigation. The period considered consists of the review investigation period and the three preceding financial years which corresponds to consistent practice. The mere fact that certain injury indicators show higher values prior to the period considered is insufficient reason to deviate from this practice. Therefore, only the trends during the period considered can be taken into account. This claim was therefore rejected.
- (103) The production capacity remained overall stable in the period considered.
- (104) As a result of the decrease in production volume and stable production capacity, the capacity utilisation developed in line with the production volume, namely it first decreased in FY2011/2012, then increased in FY2012/13 and decreased again in the review investigation period. Overall, capacity utilisation decreased by 9 % over the period considered, in line with the decrease in production volume.

(b) *Sales volume and market share*

- (105) The Union industry's sales volume and market share in the Union developed over the period considered as follows:

Table 9

Sales volume and market share

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Sales volume in the Union Index	100	84	85	83
Market share Index	100	96	91	85

Source: questionnaire replies, Eurostat and questionnaire replies/data provided by the Indonesian exporting producers.

- (106) Sales volume of MSG by the Union industry decreased by 17 % over the period considered. Sales volume dropped mostly between FY2010/2011 and FY2011/2012, while in the following years it remained relatively stable. The drop in sales volume, together with the parallel decrease in consumption and increase in imports mainly from Indonesia led to a decrease in market share of the Union industry by overall around 15 % during the period considered. The market share of the Union industry decreased by 4 % between FY2010/2011 and FY2011/2012, coinciding with an increase in market shares of Indonesian and Chinese imports in the same period. Between FY2012/2013 and the review investigation period, the market shares of the Union industry continued to steadily decrease, while import volumes and market shares from Indonesia substantially increased. Likewise, imports and market share from China increased during the period considered, albeit remained at low levels throughout this period.

(c) *Growth*

- (107) While Union consumption decreased by 2 % over the period considered, the sales volume of the Union industry decreased by 17 %, which translated in a loss of market share of 15 %.

(d) *Employment and productivity*

(108) Employment and productivity developed over the period considered as follows:

Table 10

Employment and productivity

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Number of employees Index	100	103	107	108
Productivity (unit/employee) Index	100	92	100	85

Source: questionnaire reply.

- (109) Employment of the Union industry continuously increased and overall by 8 % in the period considered. This increase was mainly due to the integration of a former affiliated company in 2011 and the expansion of the Union industry's maintenance department.
- (110) Productivity decreased due to the combination of an increase in employment and the decrease in production as shown in Table 8 in recital 100.

6. Magnitude of the dumping margin and recovery from past dumping

- (111) The dumping margin established for China was well above the *de minimis* level, while the import volume from China remained low throughout the period considered. However, should measures be repealed, the impact of the actual dumping margins on the Union industry would be significant given the increasing volume and decreasing prices of imports from China and the expected development of Chinese imports should measures be allowed to lapse. In parallel, in the anti-dumping investigation concerning imports of MSG from Indonesia, mentioned in recital 7, substantial dumping margins were established for the cooperating exporting producers from Indonesia, which increased substantially their market share in the Union market during the period considered.
- (112) The Union industry was still in a recovery process from the effects of past injurious dumping of imports of MSG originating in China, as mentioned in recital 124. As dumped imports from Indonesia increased significantly during the period considered and were found to have caused material injury to the Union industry ⁽¹⁾, it could be concluded that this recovery process was reversed.

(a) *Prices and factors affecting prices*

- (113) The average sales prices of the Union industry to unrelated customers in the Union developed over the period considered as follows:

Table 11

Average sales prices

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Average unit selling price in the Union (EUR/tonne) Index	100	107	101	97
Unit cost of production (EUR/tonne) Index	100	120	124	130

Source: questionnaire reply.

⁽¹⁾ Implementing Regulation (EU) No 904/2014.

- (114) The Union industry's average unit selling price to unrelated customers in the Union decreased by 3 % over the period considered. It first increased by 7 % between FY2010/2011 and FY2011/2012, but continuously decreased since then until the review investigation period. The increase in price between FY2010/2011 and FY2011/2012 can be seen as a consequence of the cost increases during the same period, albeit the cost increase was more pronounced than the increase in prices. At the same time Indonesian imports increased and exercised significant price pressure on the Union industry. As a consequence, prices of the Union industry decreased by 6 % between FY2011/2012 and FY2012/2013 and further 4 % between FY2012/2013 and the review investigation period.
- (115) Unit cost of production increased over the period considered by 30 %. There was a continuous increase starting in FY2011/2012 which was mainly due to an increase in the raw material and labour costs. As mentioned above, this cost increase could not be captured by an equivalent price increase due to the price pressure of the dumped imports from Indonesia.
- (116) One interested party requested the Commission to investigate whether the potential inclusion of by-products in the cost of production of the Union industry may have artificially increased the Union industry's average cost of production. The investigation established that the by-products were correctly allocated and did not in any way distort the injury picture. This claim was therefore rejected.

(b) *Labour costs*

- (117) The average labour costs of the Union industry developed over the period considered as follows:

Table 12

Average labour costs per employee

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Average labour costs per employee (EUR)	100	117	125	124
Index				

Source: questionnaire reply.

- (118) The average labour costs per employee increased by 24 %. This could be mainly explained by increasing efforts of the Union industry to improve the performance of its workers and staff in order to optimize the production process.

(c) *Inventories*

- (119) Stock levels of the Union producer developed over the period considered as follows:

Table 13

Inventories

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Closing stocks	100	82	164	143
Index				
Closing stocks as a percentage of production	100	86	153	156
Index				

Source: questionnaire reply.

- (120) Overall closing stocks increased by 43 % over the period considered. From FY2010/2011 to FY2011/2012 the closing stocks decreased following a decrease in production volume and an increase in export sales volume. From FY2011/2012 to FY2012/2013 stocks increased due to an increase in production while sales of the Union industry on the Union market remained almost stable. From FY2012/2013 to the review investigation period closing stocks decreased again mainly because of a decision to decrease production in an attempt to reduce the high stocks levels.
- (121) Closing stocks as a percentage of production decreased between FY2010/2011 and FY2011/2012 but almost doubled between FY2011/2012 and FY2012/2013. They further increased between FY2012/2013 and the review investigation period. Overall they increased by 56 % during the period considered. The increase in FY2012/2013 and in the review investigation period has to be seen in the light of increasing volumes of dumped imports from Indonesia, while Union sales remained almost stable during the same period.
- (d) *Profitability, cash flow, investments, return on investments and ability to raise capital*
- (122) Profitability, cash flow, investments and return on investments of the Union producer developed over the period considered as follows:

Table 14

Profitability, cash flow, investments and return on investments

	FY2010/2011	FY2011/2012	FY2012/2013	Review investigation period
Profitability of sales in the Union to unrelated customers (% of sales turnover) Index	100	30	– 31	– 80
Cash flow (EUR) Index	100	39	– 48	– 19
Investments (EUR) Index	100	182	143	197
Return on investments Index	100	14	– 61	– 110

Source: questionnaire reply.

- (123) The Commission established the profitability of the Union industry by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. In FY2010/2011 and FY2011/2012 profitability decreased significantly, but still remained positive. As of FY2012/2013 profitability turned negative. It decreased even further in the review investigation period. Overall the profitability decreased by 180 % during the period considered. This development was mainly due to the price pressure of the Indonesian imports which entered into the Union at dumped prices and did not allow the Union industry to set their prices in line with the cost increase. The net cash flow is the Union industry's ability to self-finance their activities. The net cash flow showed the same trend as profitability that is a continuous decrease over the period considered with negative results as from FY2012/2013. This trend was accentuated in the review investigation period. Overall net cash flow decreased by 119 % over the period considered.
- (124) The investments increased by 97 % over the period considered. They mainly represented investments necessary for maintenance and compliance with legal safety requirements. While the Union industry was still recovering from past dumping by Chinese exporting producers prior to the period considered, it started to improve its situation and was profitable at the beginning of the period considered until FY2011/2012. Under these circumstances a number of investments that could no longer be postponed were made which explains the significant increase of investment levels in the FY2011/2012 and the subsequent years.

- (125) The return on investments is the profit in percentage of the net book value of investments. As with the other financial indicators, the return on investment from the production and sale of the like product was negative as from FY2012/2013, reflecting the negative trend in profitability. Overall, return on investments decreased by 210 % over the period considered.
- (126) Taking into account the decreasing profitability and decreasing cash flow, the company's ability to raise capital was also negatively affected.

(e) Conclusion on injury

- (127) Almost all main injury indicators showed a negative trend. Thus, production volume and capacity utilisation decreased by around 9 % and sales volume by 17 % during the period considered. In an attempt to offset the losses in sales volume and market share, the Union industry average prices decreased by 3 % during the period considered, while costs of production increased by 30 % in parallel. As a consequence profitability, which was positive at the beginning of the period considered, decreased and became negative in FY2012/2013 and continued to decrease in the review investigation period. Similar negative trends could be observed for net cash flow as well as for return on investments.
- (128) Employment increased by 8 % over the period considered. The increase over the period considered can be explained by the integration of a former affiliated company in 2011 and the expansion of the Union industry's maintenance department. Investments also showed a positive trend. They were mainly linked to prevention measures and security requirements, but not to any capacity increase. These positive trends did not therefore preclude the existence of injury.
- (129) One interested party claimed that a negative trend in only some of the injury indicators is not sufficient to conclude that there is material injury. Article 3(5) of the basic Regulation does not require that all injury indicators show a negative trend, but the situation of the Union industry has to be analysed by assessing the development of all injury indicators as a whole. In the present case, almost all injury indicators showed a negative trend, including main indicators such as sales and production volume, market share, average sales prices and profitability.
- (130) On the basis of the above, the Commission concluded that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

F. LIKELIHOOD OF RECURRENCE OR CONTINUATION OF INJURY

1. Preliminary remark

- (131) As shown in recitals 99 to 130, the Union industry suffered material injury during the review investigation period. During the whole period considered, Chinese imports were only present on the Union market in limited quantities, while import volume and market share from Indonesia almost tripled during the same period. In the parallel investigation concerning imports of MSG from Indonesia mentioned in recital 7, it was concluded that imports from Indonesia were dumped and caused material injury to the Union industry, while imports from China, given their low volume and price levels, did not contribute to this injury ⁽¹⁾. At the same time, as outlined in recitals 48 and 70, the investigation has shown that the Chinese imports were made at dumped price levels during the review investigation period and there was a likelihood of continuation of dumping should the measures be allowed to lapse.

2. Impact of the projected volume of imports from China and price effects in case of repeal of measures

- (132) The Commission assessed the likelihood of recurrence of injury if the measures currently in force were allowed to lapse, namely the potential impact of the Chinese imports on the Union market and on the Union industry, pursuant to Article 11(2) of the basic Regulation.
- (133) This analysis focussed on the spare capacity of the Chinese exporting producers, the attractiveness of the Union market, the pricing behaviour of the Chinese producers in the Union. Finally, the anti-dumping measures imposed on imports of MSG from Indonesia were also taken into account.
- (134) As established in recital 51, total spare capacity of MSG in China was estimated at around 600 000-900 000 tonnes in 2012. This amount exceeded largely the total Union consumption of MSG during the same period.

⁽¹⁾ Implementing Regulation (EU) No 904/2014.

- (135) It can be reasonably expected that, as a consequence of the attractiveness of the Union market described in recitals 59-64, should measures be repealed, at least part of this spare capacity will, in all likelihood, be redirected to the Union market.
- (136) As mentioned above in recital 50, Chinese import prices without anti-dumping duties would undercut the Union sales prices by more than 10 % on average. They would also be lower than the Indonesian import prices. On this basis, it was concluded that, in the absence of measures, Chinese exporting producers will likely increase the price pressure on the Union market, thus worsening the material injury suffered by the Union industry. In this respect, it has to be recalled that the parallel anti-dumping investigation showed that Imports from Indonesia exerted a price pressure on the Union market so that the Union industry could not raise its prices in line with the increase in its cost, but, to the contrary had to decrease its prices over the period considered.
- (137) As outlined in recital 60, Chinese import prices may increase should measures be allowed to lapse. However, taking into consideration the significant undercutting margins established when deducting the anti-dumping duties, even if Chinese import prices indeed increased there is therefore a margin allowing Chinese exporters to keep import price levels below the Union industry's price levels, which will very likely allow them to gain further market shares in the Union market. Should this occur, the Union industry would face an immediate drop in its sales and sales prices.
- (138) Finally, in view of the parallel investigation against Indonesia and the corresponding measures against imports of MSG from this country, the Union industry is expected to be able to recover from the material injury suffered. This recovery process would be jeopardised should the imports from China resume in substantial quantities and at dumped prices, as a result of the measures being allowed to lapse.

3. Comments received after disclosure

- (139) Following disclosure, one interested party claimed that the maintenance of the measures would not enhance the situation of the Union producer as the deterioration of its situation would mainly be caused by factors other than imports of MSG from China. That party argued that these factors would be in particular the impact of the Union industry's investment policy on its profitability, the increase in labour costs and the allegedly inefficient use of resources. It was claimed that the effect of these factors had not been sufficiently taken into consideration when assessing the Union industry's overall situation.
- (140) It should be noted that the interested party in question did not provide any new information or evidence in support of these allegations.
- (141) As regards the investments made by the Union industry, this party did not explain to what extent these investments could have had an impact on their profitability. As described in recital 124, the investments made by the Union industry were based on reasonable business decisions and cannot be considered undue. Moreover, investment costs are depreciated over time and, as such, did not have any significant impact on the Union industry's profitability.
- (142) With regard to the increase in labour costs, while precise figures cannot be given for reasons of confidentiality, the investigation has showed that the impact of this increase on the total cost of production was not significant.
- (143) As to the inefficient use of resources, the party failed to specify the nature of the alleged inefficiencies and the investigation did not bring to light any potential inefficiency of the Union industry.
- (144) On these grounds these claims were rejected.

4. Conclusion

- (145) In view of the findings of the investigation, namely the spare capacity, the attractiveness of the Union market and the expected price levels of Chinese imports, it is considered that the repeal of the measures would in all likelihood lead to a recurrence of injury and further deteriorate the injurious situation of the Union industry due to the likely increase of Chinese imports at dumped prices undercutting the Union industry's sales prices.

G. UNION INTEREST

- (146) In accordance with Article 21 of the basic Regulation, the Commission examined whether maintaining the existing anti-dumping measures against China would be against the interest of the Union as a whole. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers and users.

- (147) All interested parties were given the opportunity to make their views known pursuant to Article 21(2) of the basic Regulation.
- (148) On this basis the Commission examined whether, despite the conclusions on the likelihood of continuation of dumping and injury, compelling reasons existed which would lead to the conclusion that it was not in the Union interest to maintain the existing measures.

1. Interest of the Union industry

- (149) The investigation established that the Union industry suffered material injury during the review investigation period. As mentioned in recital 131 the material injury was caused by the dumped imports from Indonesia. The investigation also established that there was a likelihood of recurrence of material injury should measures against Chinese imports be allowed to lapse. In particular, the expected recovery of the Union industry from the injury suffered due to the imports from Indonesia due to the anti-dumping measures imposed against this country is likely to be jeopardised should Chinese imports of MSG resume on the Union market at dumped prices.
- (150) Should measures be maintained it is expected that the Union industry will be able to fully benefit from the effects of the measures imposed in the context of the parallel investigation concerning imports of MSG from Indonesia, namely it will recover from the material injury suffered. Eventually it should be able to improve its profitability.
- (151) It was therefore concluded that maintaining the measures in force against China would be in the interest of the Union industry.

2. Interest of importers/traders

- (152) Fourteen companies came forward following the publication of the Notice of Initiation. However, none of these companies imported MSG from China into the Union during the review investigation period.
- (153) One trader in the Union involved in the resale of MSG inside and outside the Union made itself known during the investigation as user. This trader purchased MSG mainly from the Union industry, but also from importers. The trader did not purchase any MSG of Chinese origin, but of Indonesian and other third countries' origin. The trader's MSG-related activity was marginal as compared to its total activity. On these grounds it was considered that the measures in force on imports of MSG from China did not have any significant adverse effect on this trader's situation.

3. Interest of users

- (154) Users are mainly active in the 'food and beverage' sector, using MSG in the production of spice mixes, soups and ready-made foods. MSG is also used in specific 'non-food' applications, for instance in the production of detergents.
- (155) Thirty-three companies came forward and received a questionnaire. Five companies cooperated in the investigation by submitting a questionnaire reply. Four of them were active in the food and beverage sector and one in the non-food sector. Two of the cooperating companies, one operating in the 'food and beverage' sector and the second producing detergents, were verified on-the-spot.

(a) Food and beverage sector

- (156) The investigation showed that, on average, MSG represented around 5 % of the total cost of the products incorporating MSG manufactured by the cooperating companies which provided the necessary data.
- (157) Out of the four cooperating users only one imported MSG from China. This cooperating company purchased MSG from the Union industry and imported around 40 % of its total MSG purchases from China. The activity linked to products incorporating MSG represented around one third of its total activity. During the review investigation period the company was found to be profitable.
- (158) The other three companies did not import MSG from China during the review investigation period. Of these, two companies had a relatively insignificant MSG-related activity as compared to their overall activity. In addition, on the basis of the information provided, these two companies were profitable during the review investigation period. Concerning the third company, although its activity linked to the products incorporating MSG represented around one third of its total activity, during the review investigation period the company was found to be profitable.

(b) *Non-food sector*

- (159) One of the cooperating companies used MSG to produce detergents. MSG represented between 15 and 20 % of the cost of production of these products. During the review investigation period the company purchased MSG mainly from the Union industry. It also imported MSG from other third countries but not from China. Only a minor part of its activity was devoted to the products incorporating MSG as compared to its total activity which was in addition found to realise positive profit margins of [5-10] % in the investigation period.
- (160) This interested party alleged that, given the EU regulatory framework which bans the use of phosphates and other phosphorus compounds ⁽¹⁾ MSG is likely to be used in increased quantities to replace phosphates and other phosphorus compounds in the production of detergents. Therefore, it is expected that the demand of MSG in the Union will increase substantially and any anti-dumping duties on imports of MSG would have a detrimental effect on the development of this new market. In particular, the party argued that the level of the anti-dumping measures on imports of MSG from China in place would not allow Chinese imports to enter the Union market and that therefore, there would be a risk of lack of supply in the Union. This company claimed further that since measures are also in force against imports of MSG from Indonesia, there would also be a lack of alternative sources of supply.
- (161) This user further claimed that, given the expected increase in the MSG consumption the Union industry would benefit therefrom and also increase its sales volume on the Union market. On the other hand, the user claimed that the Union industry would not have enough capacity to supply the increased demand in the Union market.
- (162) However, at this stage it is difficult to predict how the new legal framework will impact the Union market and whether or to what extent it will boost the production of MSG-based detergents and thus have an effect on the MSG demand in the Union. The interested party also did not provide any evidence as to the extent to which an anti-dumping duty could have a detrimental effect. In this respect, it is noted that the aim of the anti-dumping duty is to restore a level playing field on the Union market. The investigation also revealed a number of alternative sources of supply, such as Brazil, Vietnam and Korea.
- (163) Further to disclosure, the same interested party reiterated its claim that the demand for MSG would significantly increase in the Union due to the ban of phosphates and that the Union industry would not be able to supply this increasing demand in the Union. However, the party in question did not provide any new information or evidence to substantiate the argument and therefore this claim was rejected.
- (164) Regarding the alternative sources of supply, in FY2010/2011 the market share of imports from other third countries was substantial and only decreased because of unfair priced imports from Indonesia. It is expected that the imposition of duties against imports of MSG from Indonesia in the parallel investigation should enable other third countries to recapture lost market shares in the Union. Should measures be repealed with regard to China, the expected effect of the anti-dumping duties against Indonesia would be jeopardised as imports from China are likely to penetrate the Union market in significantly increased quantities at dumped price levels undercutting the Union industry's sales prices in the Union market (as established above in recitals 149-151).
- (165) Following disclosure, the above mentioned interested party reiterated that there were no real alternative sources of supply as the producers in other third country markets belonged to the same group as the Union industry.
- (166) As mentioned in recitals 94 and 95 above, alternative sources of supply of MSG exist in several third countries, such as, inter alia, Brazil, Republic of Korea or Vietnam. In the review investigation period, the market share of imports from third countries other than China or Indonesia represented only one fourth of its level in FY2010/2011. Should measures be continued towards imports from China, there are no reasons why imports from other third countries could not cover at least partially the needs of the users of MSG, with a corresponding market share going back to or beyond its level of FY2010/2011. In addition, according to the information available which was available to parties in the non-confidential file, these alternative sources belong either to companies/groups of companies independent from Ajinomoto group or to this group. In any event, even if these alternative sources belonged to Ajinomoto group there is no indication that they would not supply the Union market at fair conditions. The argument should therefore be rejected.

⁽¹⁾ Regulation (EU) No 259/2012 of the European Parliament and of the Council of 14 March 2012 amending the Regulation (EC) No 648/2004 as regards the use of phosphates and other phosphorus compounds in consumer laundry detergents and consumer automatic dishwasher detergents (OJ L 94, 30.3.2012, p. 16).

- (167) The same party also alleged that the Union industry held a dominant position and that there would be a lack of competition on the Union market. It argued that maintaining the measures against Chinese MSG would even further reinforce the Union industry's position on the Union market.
- (168) The investigation clearly showed that the Union industry was unable to maintain its sales volume in the Union as it lost market share, notably to Indonesian imports. Furthermore, the Union industry was not able to increase its price levels in line with the increase in raw material costs, given the price pressure from the dumped imports from Indonesia, and suffered significant losses in the review investigation period. The Commission also noted that there is competition from imports originating in a number of other third countries, benefitting from free access to the Union market. On these grounds, there was insufficient evidence on any allegedly dominant position of the Union industry and the argument had to be rejected.
- (169) Following disclosure, the interested party in question claimed that it would not be in the Union interest that users in the Union would have to rely on the Union industry and that there should be sufficient alternative sources of supply. In support of this claim, the party concerned noted that the decrease in consumption between FY2010/2011 and FY2011/2012 was mainly due to a decrease of the Union industry production volume.
- (170) As mentioned above in recital 100, production decreased by 5 % between FY2010/2011 and FY2011/2012 while consumption decreased by 13 % in the same time (see recitals 76 and 78). In FY2011/2012, capacity utilisation was 5 % below its level in FY2010/2011 meaning there was a reserve of capacity in FY2011/2012. Production of the Union industry cannot therefore be considered as a factor having had an impact on the decrease in consumption in FY2011/2012. In any event, as expressed above in recital 166, there are alternative sources of supply in other third countries. The argument should therefore be dismissed.
- (171) On this basis, and in particular the fact that the measures against China did not appear to have had any significant adverse effect on the cooperating users, the Commission concluded that should the measures be maintained, the impact on the economic situation of these operators is likely not to be significant.

4. Interest of suppliers

- (172) Four Union suppliers of raw materials came forward and replied to the questionnaire. Their sales of raw materials to the Union industry represented only a small part of their total turnover. Two of these suppliers contested this conclusion claiming that the disappearance of the Union industry would have a significant impact on their business activity. These suppliers argued that the effect of a potential halt of Union MSG production would have a detrimental effect on their overall business, since the sugar plants cannot avoid producing a certain volume of sugar syrups and molasses, of which the Union industry is the main buyer. If sugar in these forms remains unsold, this would affect the overall efficiency of the plant in question.
- (173) These arguments were however not supported by any evidence and were therefore rejected.

5. Other arguments

- (174) One interested party claimed that the effects of the measures in force against China should be assessed cumulatively with the effects of the measures imposed on imports of MSG from Indonesia.
- (175) The impact of both measures on users was analysed in the context of the availability of alternative sources of supply. This analysis showed that a number of third countries had in fact the potential to export MSG to the Union. These third countries were indeed present on the Union market before Indonesian dumped imports entered the Union in increased quantities.

6. Conclusion on Union interest

- (176) In view of the above, the Commission concluded that there are no compelling reasons of Union interest against the maintenance of the current anti-dumping measures against China.

H. ANTI-DUMPING MEASURES

- (177) All parties were informed of the essential facts and considerations on the basis of which it was intended to recommend that the existing measures be maintained. They were also granted a period to submit comments subsequent to that disclosure. The submissions and comments were duly taken into consideration where warranted.

- (178) It follows from the above that, as provided for by Article 11(2) of the basic Regulation, the anti-dumping measures applicable to imports of MSG originating in China, imposed by Regulation (EC) No 1187/2008 should be maintained.
- (179) A company may request the application of these individual anti-dumping duty rates if it changes subsequently the name of its entity. The request must be addressed to the Commission. The request must contain all the relevant information enabling to demonstrate that the change does not affect the right of the company to benefit from the duty rate which applies to it. If the change of name of the company does not affect its right to benefit from the duty rate which applies to it, a notice informing about the change of name will be published in the *Official Journal of the European Union*.
- (180) The Committee established by Article 15(1) of the basic Regulation did not deliver an opinion,

HAS ADOPTED THIS REGULATION:

Article 1

1. A definitive anti-dumping duty is hereby imposed on imports of monosodium glutamate currently falling within CN code ex 2922 42 00 (TARIC code 2922 42 00 10) and originating in the People's Republic of China.
2. The rate of the definitive 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:

Company	AD duty rate (%)	TARIC additional code
Hebei Meihua MSG Group Co. Ltd, and Tongliao Meihua Bio-Tech Co. Ltd	33,8	A883
Fujian Province Jianyang Wuyi MSG Co. Ltd	36,5	A884
All other companies	39,7	A999

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

Article 2

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

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

Done at Brussels, 21 January 2015.

For the Commission
The President
Jean-Claude JUNCKER