



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.12.2003
COM(2003) 772 final

Proposal for a

COUNCIL REGULATION

**terminating the partial interim review of the anti-dumping measures applicable to
imports of urea originating in Russia**

(presented by the Commission)

EXPLANATORY MEMORANDUM

On 13 June 2002 a partial interim review limited to the form of the measure was initiated with regard to anti-dumping measures imposed by Council Regulation (EC) No 901/2001 on imports into the Community of urea originating in Russia.

The attached proposal for a Council Regulation is based on the findings of the investigation, which revealed that the form of the measures imposed by Council Regulation (EC) No 901/2001 should not be changed.

It is therefore proposed that the Council adopt the attached proposal for a Council Regulation, which should be published as soon as possible in the *Official Journal of the European Union*.

Proposal for a

COUNCIL REGULATION

terminating the partial interim review of the anti-dumping measures applicable to imports of urea originating in Russia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community¹ (“Basic Regulation”), and in particular Article 11(3) thereof,

Having regard to the proposal submitted by the Commission after consulting the Advisory Committee,

Whereas:

A. PROCEDURE

1. Measures in force

- (1) On 10 May 2001, the Council, by Regulation (EC) No 901/2001², imposed a definitive anti-dumping duty on imports of urea originating in Russia. The duty took the form of a variable duty on the basis of a minimum import price (“MIP”).

2. Initiation

- (2) On 13 June 2002, the Commission announced by a notice published in the *Official Journal of the European Communities*³ (“notice of initiation”) the initiation of a partial interim review of the anti-dumping measures applicable to imports into the Community of urea originating in Russia pursuant to Article 11(3) of the Basic Regulation.
- (3) The review was initiated on the initiative of the Commission in order to examine the appropriateness of the form of the measures in force, currently an MIP, as it does not differentiate between sales made to related parties and sales made to unrelated parties, or between first sales and successive sales to the Community and it had become apparent that this could lead to enforcement problems. Consequently, the existing measures did not appear sufficient to counteract the dumping which is causing injury.

¹ OJ L 56, 6.3.1996, p. 1, as last amended by Regulation (EC) No 1972/2002 (OJ L 305, 7.11.2002, p. 1).

² OJ L 127, 9.5.2001, p. 11.

³ OJ C 140, 13.6.2002, p. 5.

3. Investigation

- (4) The Commission officially advised the importers, the users known to be concerned and their associations, the representatives of the exporting country concerned and the Community producers about the initiation of the proceeding. Interested parties were given the opportunity to make their views known in writing and to request a hearing within the time limit set out in the notice of initiation.
- (5) An association of Community producers, an association of importers, two associations of users, one user and a company representing ten Italian importers, traders and users made their views known in writing. All parties which so requested within the time limit, and which demonstrated that there were particular reasons why they should be heard, were granted the opportunity to be heard.
- (6) The Commission sought and verified all the information it deemed necessary for the purpose of a determination of the appropriateness of the measures in force.

B. FINDINGS OF THE INVESTIGATION

- (7) The initiation of an interim review was motivated by the necessity to limit the risk of duty avoidance. Such duty avoidance can occur in different circumstances. When exporters currently subject to the measures imposing an MIP export to the Community, they could be in a position to invoice at a price above the MIP, and to subsequently compensate such a price after customs declaration by an agreement with the importers. This may render the MIP ineffective, as it would mean that the product concerned is effectively still exported below the MIP to the Community. Accordingly, this could lead to subsequent resale prices in the Community which prevent that the intended effects of the measure, i.e. to remove the injurious effects of dumping, are achieved. The substantial risk of price manipulation when duties take the form of an MIP was highlighted by the findings of the European Court of Auditors in its 2000 Annual Report⁴. In order to address this problem, it was envisaged to replace the MIP by an *ad valorem* duty.
- (8) Although an *ad valorem* duty is, in general, considered to be more appropriate to avoid the risk of price manipulation, it was found that in the specific circumstances of the current case the risk of price manipulation is very low since, over a sustained period of time, import prices in general have actually been above the MIP. Therefore, exporters would not have any reason to manipulate prices in the way set out in recital (7) in order to stay competitive. This was also confirmed by the comments made by interested parties which, with the exception of the association of Community producers, considered that the form of the measure should not be changed.
- (9) The association of Community producers considered that a specific duty would have been more appropriate to avoid the risk of price manipulation. It also considered that an *ad valorem* duty would be more effective than an MIP. It was, however, established that in the specific circumstances of the current case the risk of price manipulation is very low. Nevertheless, should the situation of the urea market change and evidence is provided to the Commission that this change increases the risk of price manipulation, appropriate action may be taken. Meanwhile, the Commission will pay particular

⁴ OJ C 359, 15.12.2001, p. 1, recitals 1.31 and 1.35.

attention to the import prices of urea originating in Russia and the attention of the customs authorities is drawn to this issue.

- (10) It is therefore concluded that, due to the particular and very specific circumstances of the present case, there are currently no reasons to change the form of the measure concerning imports of urea originating in Russia and the current partial interim review should be terminated without any amendment to the anti-dumping measures imposed by Council Regulation (EC) No 901/2001,

HAS ADOPTED THIS REGULATION:

Article 1

The partial interim review of the anti-dumping measures applicable to imports of urea originating in Russia, initiated pursuant to Article 11(3) of Council Regulation (EC) No 384/96, is hereby terminated without amending the anti-dumping duty in force.

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,

*For the Council
The President*