



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

**COUNCIL REGULATION**

**amending Council Regulation (EC) No 964/2003 imposing a definitive anti-dumping duty on imports of certain tube or pipe fittings originating, inter alia, in Thailand**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

By Regulation (EC) No 584/96, last confirmed by Regulation (EC) No 964/2003, the Council imposed a definitive anti-dumping duty on imports of certain tube and pipe fittings originating, *inter alia*, in Thailand. The measures consist of an *ad valorem* duty, except for two Thai exporting producers from which undertakings had been accepted by Commission Decision 96/252/EC, as amended by Commission Decision 2000/453/EC.

In April 2001, the Commission initiated an *ex officio* interim review pursuant to Article 11(3) of Council Regulation (EC) No 384/96 ('basic Regulation'), in order to examine the appropriateness of the form of the measures concerning the two exporters from which undertakings had been accepted. It was concluded that it is appropriate to change the form of the measures to an *ad valorem* duty.

Subsequently, in January 2003 the Commission initiated a partial interim review, limited to the dumping aspects, pursuant to Article 11(3) of the basic Regulation, following a request lodged by one Thai exporting producer, Awaji Sangyo (Thailand) Co., Ltd. This investigation showed the existence of less dumping than the original investigation. In addition, evidence was found that it is unlikely that there will be in the foreseeable future a recurrence of dumping at previous levels. It was consequently concluded that the changed circumstances are of a lasting nature. Under these circumstances, it is therefore considered appropriate to amend the measures insofar as they concern this company.

The Member States have been consulted and are in favour of the amendments of the measure.

In the light of the foregoing, the Commission proposes that the Council adopt the attached proposal for a Regulation amending the definitive anti-dumping duty imposed by Regulation (EC) No 964/2003 on imports of certain tube and pipe fittings originating, *inter alia*, in Thailand.

Proposal for a  
**COUNCIL REGULATION**

**amending Council Regulation (EC) No 964/2003 imposing a definitive anti-dumping duty on imports of certain tube or pipe fittings originating, *inter alia*, in Thailand**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 384/96<sup>1</sup> on protection against dumped imports from countries not members of the European Community ('the 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. Previous investigations and existing measures**

- (1) The measures currently in force on imports of certain tube or pipe-fittings, of iron or steel originating in Thailand are a definitive anti-dumping duty imposed originally by Council Regulation (EC) No 584/96<sup>2</sup>, as amended by Council Regulation (EC) No 1592/2000<sup>3</sup> and confirmed, following an expiry review investigation, by Council Regulation (EC) No 964/2003<sup>4</sup>.
- (2) The measures applicable to these imports consist of an *ad valorem* duty, except for two Thai exporting producers from which undertakings were accepted by Commission Decision 96/252/EC<sup>5</sup>, as amended by Commission Decision 2000/453/EC<sup>6</sup>.
- (3) In April 2001, the Commission simultaneously initiated an expiry review investigation<sup>7</sup> pursuant to Article 11(2) of the basic Regulation and an *ex officio* interim review pursuant to Article 11(3) of the basic Regulation. The review pursuant to Article 11(2) of the basic Regulation was concluded by Council Regulation (EC)

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<sup>1</sup> OJ L 56, 6.3.1996, p. 1, Regulation as last amended by Council Regulation (EC) No 461/2004 (OJ L 77, 13.3.2004, p. 12.)

<sup>2</sup> OJ L 84, 3.4.1996, p. 1.

<sup>3</sup> OJ L 182, 21.7.2000, p. 1.

<sup>4</sup> OJ L 139, 6.6.2003, p. 1.

<sup>5</sup> OJ L 84, 3.4.1996, p. 46.

<sup>6</sup> OJ L 182, 21.7.2000, p. 25.

<sup>7</sup> OJ C 103, 3.4.2001, p. 5.

No 964/2003 maintaining the existing measures. However, the interim review, pursuant to Article 11(3) of the basic Regulation, remained open at the conclusion of the expiry review.

## 2. Grounds for the review

- (4) In April 2001, the Commission initiated, on its own initiative, an *ex officio* interim review, pursuant to Article 11(3) of the basic Regulation, in order to examine the appropriateness of the form of the measures concerning the imports originating in Thailand. In this respect, it should be noted that enforcement problems have been encountered in the monitoring of the undertakings accepted from two exporters in Thailand, i.e. Awaji Sangyo (Thailand) Co., Ltd. and TTU Industrial Corp. Ltd. ('the exporters concerned'), with consequences on the remedial effect of the measures. After consulting the Advisory Committee, the Commission initiated an investigation limited to the form of the measures. The initiation of the review was announced simultaneously to the initiation of the expiry review by which the existing measures were confirmed.
- (5) The Commission officially advised the applicant Community producers, the exporting producers in Thailand, importers/traders, user industries, and associations of users known to be concerned, as well as the representatives of the Thai Government of the initiation of the review. The Commission also gave the parties directly concerned the opportunity to make their views known in writing and to request a hearing.
- (6) Following disclosure of the results of the investigation pursuant to Article 11(2) of the basic Regulation, a Thai exporting producer, Awaji Sangyo (Thailand) Co., Ltd. (the 'applicant'), lodged a request in April 2002 for an interim review of the anti-dumping measures applicable to it, limited to its situation of dumping, pursuant to Article 11(3) of the basic Regulation. The request alleged that changed circumstances of a lasting nature had led to a considerably reduced normal value, which in turn has reduced or eliminated dumping so that the continued imposition of the measures at the existing level in respect of its imports was no longer necessary to offset dumping.
- (7) Having determined, after consulting the Advisory Committee, that sufficient evidence existed for the initiation of an interim review, the Commission published a notice of initiation<sup>8</sup> and commenced an investigation.
- (8) The Commission officially advised the representatives of the exporting country and the applicant of the initiation of the interim review limited to dumping and gave all parties directly concerned the opportunity to make their views known in writing and to request a hearing. The Commission also sent a questionnaire to the applicant.
- (9) The Commission sought and verified all information it deemed necessary for the purpose of the determination of dumping and carried out a verification visit at the premises of the applicant.
- (10) The investigation limited to dumping covered the period from 1 January 2001 until 31 December 2002 (the 'investigation period' or 'IP').

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<sup>8</sup> OJ C 17, 24.1.2003, p. 2.

## **B. PRODUCT CONCERNED AND LIKE PRODUCT**

### Product concerned

- (11) The product concerned subject to the interim reviews is the same as the product concerned in the previous investigations, i.e. certain tube or pipe fittings (other than cast fittings, flanges and threaded fittings), of iron or steel (not including stainless steel), with a greatest external diameter not exceeding 609.6 mm, of a kind used for butt-welding or other purposes ('product concerned' or 'tube or pipe fittings'), originating in Thailand. It is currently classifiable within CN codes ex 7307 93 11 (Taric code 7307 93 11 99), ex 7307 93 19 (Taric code 7307 93 19 99) ex 7307 99 30 (Taric code 7307 99 30 98) and ex 7307 99 90 (Taric code 7307 99 90 98).

### Like product

- (12) As in the previous investigations, these investigations have shown that the tube or pipe fittings of iron or steel, produced in Thailand and sold domestically and/or exported to the Community have the same basic physical and chemical characteristics as the tube or pipe fittings sold in the Community by the Community producers and, therefore, are considered to be like products within the meaning of Article 1(4) of the basic Regulation.

## **C. DUMPING WITH REGARD TO THE APPLICANT**

### 1.1. Normal value

- (13) As far as the determination of normal value is concerned, it was first established whether the applicant's total domestic sales of the like product were representative in comparison with its total export sales to the Community. In accordance with Article 2(2) of the basic Regulation, this was found to be the case since the applicant's domestic sales volume constituted at least 5% of its total export sales volume to the Community.
- (14) It was then examined whether the applicant's domestic sales were sufficiently representative for each of the product types exported to the Community. This was considered to be the case when, during the IP, the total domestic sales volume of a product type represented 5% or more of the total sales volume of the same type exported to the Community. On this basis, it was found that domestic sales of all but one product type exported to the Community were representative.
- (15) An examination was also made as to whether the domestic sales of each product type could be regarded as having been made in the ordinary course of trade, by establishing the proportion of profitable sales to independent customers of the type in question. In cases where the sales volume of a product type, sold at a net sales price equal to or above the calculated unit cost of production, represented 80% or more of the total sales volume of that type, and where the weighted average price of that type was equal to or above the unit cost of production, normal value was based on the actual domestic price, calculated as a weighted average of the prices of all domestic sales of that type made during the IP, irrespective of whether these sales were profitable or not. In cases where the volume of profitable sales of a product type represented 80% or less, but at

least 10% of the total sales volume, normal value was based on the actual domestic price, calculated as a weighted average of profitable domestic sales of that type only.

- (16) In cases where the volume of profitable sales of any type of fittings represented less than 10% of the total sales volume of that type on the domestic market, it was considered that this particular type was sold in insufficient quantities for the domestic price to provide an appropriate basis for the establishment of the normal value.
- (17) Wherever domestic prices of a particular type sold by the applicant could not be used in order to establish normal value, another method had to be applied. In this regard, in the absence of other exporting producers and of any other reasonable method, constructed normal value was used.
- (18) In all cases where constructed normal value was used and in accordance with Article 2(3) of the basic Regulation, normal value was constructed by adding to the manufacturing costs of the exported types, adjusted where necessary, a reasonable amount for selling, general and administrative expenses ('SG&A') and a reasonable margin of profit. To this end, the Commission examined whether the SG&A incurred and the profit realised by the exporting producer concerned on the domestic market constituted reliable data. Actual domestic SG&A expenses were considered reliable since the domestic sales volume of the company concerned could be regarded as representative. The domestic profit margin was determined on the basis of domestic sales made in the ordinary course of trade.

#### 1.2. Export price

- (19) Since all export sales of the product concerned were made directly to an independent customer in the Community, the export price was established in accordance with Article 2(8) of the basic Regulation on the basis of the prices actually paid or payable when sold for export to the Community.

#### 1.3. Comparison

- (20) For the purposes of a fair comparison by type on an ex-factory basis and at the same level of trade, due allowance was made for differences which were claimed and demonstrated to affect price comparability between the export price and the normal value. These adjustments were made in respect of import charges, discounts, transport, insurance, handling costs, packing, credit and commissions in accordance with Article 2(10) of the basic Regulation.

#### 1.4. Dumping margin

- (21) In order to calculate the dumping margin, the Commission compared the weighted average normal value to the weighted average export price to the Community.
- (22) The comparison, as described above, showed the existence of dumping for the applicant. The dumping margin established, expressed as a percentage of the total CIF value at Community frontier level, duty unpaid, was 7.4%.

#### 1.5. Lasting nature of changed circumstances and likelihood of recurrence of dumping

- (23) In accordance with the Commission's normal practice, it was examined whether the changed circumstances could reasonably be said to be of a lasting nature.
- (24) It was found that there were no reasons to expect that the domestic sales prices and normal value would not remain stable for the foreseeable future.
- (25) The Commission examined the possible development of export prices as a consequence of the application of a lower duty rate. In this regard, it was considered that the undertaking which had been accepted in the framework of the original proceeding had the effect of limiting the applicant's sales to the Community market. As mentioned below in recital (35), it was found that this type of undertaking was no longer appropriate. Consequently, it was examined whether export sales subject to a lower duty could cause a significant increase of imports of the product concerned produced by the applicant to the Community.
- (26) The investigation revealed that the applicant's production capacity increased considerably since the original investigation period and to a lesser extent over the last three years, whilst its capacity utilisation rate remained close to 100%.
- (27) However, the investigation also showed that the company exports most of its production to well-established other third country markets. In fact, the applicant exported more than 90% of its production of the product concerned during the IP, almost entirely to other third countries. The exports to the other third countries tripled since the original investigation period and continued to go up during the last three years. It was also established that the exports to other third countries were sold at prices around 25% higher than those to the EC.
- (28) Since the applicant does not have much spare capacity, which could be used to increase sales to the Community if the anti-dumping measures were lowered, the above findings, including those concerning exports to third countries, and in particular export prices to these countries, are viewed as evidence that it is unlikely that there will be in the foreseeable future a recurrence of dumped imports at levels similar to those established in the previous investigation.
- (29) It is consequently concluded that the changed circumstances, in particular the considerably reduced normal value, are of a lasting nature. In view of the reduced level of dumping, it is therefore considered appropriate to amend the measures insofar as they concern the applicant.

#### 1.6. Conclusions

- (30) According to Article 9(4) of the basic Regulation, the amount of the anti-dumping duty should not exceed the margin of dumping established, but it should be less than that margin if such a lesser duty would be adequate to remove the injury of the Community industry. As the duty for the applicant had been calculated on the basis of the dumping margin, the duty should be adjusted to the lower dumping margin found in this investigation, namely 7.4%.

- (31) It follows from the above that with regard to the applicant, the anti-dumping duty originally imposed by Council Regulation (EC) No 584/96 and confirmed by Council Regulation (EC) No 964/2003 should be amended.
- (32) The interested parties were informed of the essential facts and considerations on the basis of which it was intended to recommend that the anti-dumping duty imposed by Council Regulation (EC) No 964/2003 be amended with regard to the applicant.

#### **D. Interim review limited to the form of the measures**

- (33) The undertakings originally accepted from the two exporters concerned, were in essence quantitative undertakings according to which the companies undertook to ensure that their exports to the Community were made within an overall volume ceiling.
- (34) In accordance with Article 8(1) of the basic Regulation, the aim of undertakings is to eliminate the injurious effect of dumped imports, which is achieved through the exporter raising its prices or ceasing exports at dumped price levels. The investigations have shown that the type of undertakings originally accepted in the present case in 1996 which simply limited the *quantity* of imports into the Community failed to raise prices to non-injurious levels and thus restore fair trade on the Community market. Therefore, in this case, the undertakings in their present form are not considered as an appropriate and effective means of eliminating the injurious effect of dumping. In addition, the Commission is not in a position to control effectively whether the quantities of the product concerned exported are limited to those specified in the undertakings.
- (35) It was therefore concluded that the undertakings in force are not appropriate any longer.
- (36) The interested parties were informed of all the essential facts and considerations leading to this conclusion.

#### **E. PROPOSED MEASURES**

- (37) The anti-dumping measure applicable to imports of certain tube or pipe fittings, of iron or steel, originating, *inter alia*, in Thailand as confirmed by Council Regulation (EC) No 964/2003, should be amended with regard to (i) the applicant in view of the lower dumping margin found in the investigation and (ii) the exporters concerned in view of the findings of the interim review limited to the form of the measures.

HAS ADOPTED THIS REGULATION:

#### *Article 1*

1. Article 1, paragraph 2 of Council Regulation (EC) No 964/2003 shall be replaced by the following:



"2. The rate of the definitive anti-dumping duty applicable to the net, free-at-Community-frontier price, before duty, shall be as follows for the products manufactured by:"

<b>Country</b>	<b>Rate of duty</b>	<b>TARIC additional code</b>
People's Republic of China	58.6%	-
Thailand	58.9%	A 999
Except: Awaji Sangyo (Thailand) Co., Ltd., Samutprakarn	7.4%	8 850
Thai Benkan Co. Ltd, Prapadaeng-Samutprakarn	0%	A 118

2. Article 1, paragraph 3 and Article 2 of Council Regulation (EC) No 964/2003 shall be repealed.

#### *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*