



EUROPEAN COMMISSION

Brussels, 30.7.2012  
COM(2012) 424 final

2012/0204 (NLE)

Proposal for a

### **COUNCIL REGULATION**

**amending Regulation (EU) No 585/2012 imposing a definitive anti-dumping duty on imports of certain seamless pipes and tubes, of iron or steel, originating in Russia and Ukraine, following a partial interim review pursuant to Article 11(3) of Regulation (EC) No 1225/2009**

## **EXPLANATORY MEMORANDUM**

### **Context of the proposal**

#### **Grounds for and objectives of the proposal**

This proposal concerns the application of Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community ('the basic Regulation') in the proceeding concerning imports of certain seamless pipes and tubes, of iron or steel, originating in Ukraine.

#### **General context**

This proposal is made in the context of the implementation of the basic Regulation and is the result of an investigation that was carried out in line with the substantive and procedural requirements laid out in the basic Regulation, in particular, Article 11(3) thereof.

#### **Existing provisions in the area of the proposal**

The measures currently in force were imposed by Council Regulation (EC) No 585/2012 imposing a definitive anti-dumping duty on imports of certain seamless pipes and tubes, of iron or steel, originating in Russia and Ukraine, following an expiry review pursuant to Article 11(2) of Regulation (EC) No 1225/2009, and terminating the expiry review proceeding concerning imports of certain seamless pipes and tubes, of iron or steel, originating in Croatia.

#### **Consistency with the other policies and objectives of the Union**

Not applicable.

### **Consultation of interested parties and impact assessment**

#### **Consultation of interested parties**

Interested parties concerned by the proceeding have had the possibility to defend their interests during the investigation, in line with the provisions of the basic Regulation.

#### **Collection and use of expertise**

There was no need for external expertise.

#### **Impact assessment**

This proposal is the result of the implementation of the basic Regulation.

The basic Regulation does not foresee a general impact assessment but contains an exhaustive list of conditions that have to be assessed.

### **Legal elements of the proposal**

## **Summary of the proposed action**

On 29 July 2011 the Commission initiated, upon a request from the Ukrainian producer Interpipe, a partial interim review of the anti-dumping measures applicable to imports of certain seamless pipes and tubes, of iron or steel, originating in Ukraine.

The attached proposal for a Council Regulation is based on findings that the level of anti-dumping duties currently imposed on imports of certain seamless pipes and tubes, of iron or steel, manufactured by the company Interpipe is no longer necessary to eliminate injurious dumping and that the changed circumstances leading to the lower dumping margin are of a lasting nature.

It is therefore proposed that the Council adopt the attached proposal for a regulation amending the anti-dumping duty currently in force on imports of certain seamless pipes and tubes, of iron or steel, from LLC Interpipe Niko Tube and OJSC Interpipe Nizhnedneprovsky Tube Rolling Plant.

## **Legal basis**

Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community and in particular Article 11(3) thereof.

## **Subsidiarity principle**

The proposal falls under the exclusive competence of the Union. The subsidiarity principle therefore does not apply.

## **Proportionality principle**

The proposal complies with the proportionality principle for the following reasons:

The form of action is described in the above-mentioned basic Regulation and leaves no scope for national decision.

Indication of how the financial and administrative burden falling upon the Union, national governments, regional and local authorities, economic operators and citizens is minimized and proportionate to the objective of the proposal is not applicable.

## **Choice of instruments**

Proposed instruments: Regulation.

Other means would not be adequate for the following reason: The above-mentioned basic Regulation does not foresee alternative options.

## **Budgetary implication**

The proposal has no implication for the Union budget.

Proposal for a

## COUNCIL REGULATION

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### THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community<sup>1</sup> ('the basic Regulation'), and in particular Article 9(4) and Article 11(3), (5) and (6) thereof,

Having regard to the proposal submitted by the European Commission ('the Commission') after consulting the Advisory Committee,

Whereas:

#### 1. PROCEDURE

##### 1.1. Measures in force

- (1) By Regulation (EC) No 954/2006<sup>2</sup> the Council, following an investigation ('the original investigation'), imposed a definitive anti-dumping duty on imports of certain seamless pipes and tubes, of iron or steel, originating in Croatia, Russia and Ukraine. The measures consisted of an *ad valorem* anti-dumping duty ranging between 12,3 % and 25,7 % imposed on imports from individually named exporting producers in Ukraine, with a residual duty rate of 25,7 % on imports from all other companies in Ukraine. The definitive anti-dumping duty imposed on the exporting producer subject to the current review investigation, CJSC Nikopolsky Seamless Tubes Plant Niko Tube and OJSC Nizhnedneprovsky Tube Rolling Plant, now named LLC Interpipe Niko Tube and OJSC Interpipe Nizhnedneprovsky Tube Rolling Plant ('the applicant' or 'Interpipe') was 25.1%.
- (2) Following an application by Interpipe for the annulment of Council Regulation (EC) No 954/2006, the General Court of the European Union annulled Article 1 of Council Regulation (EC) No 954/2006 in so far as the anti-dumping duty fixed for Interpipe exceeded that which would have been applicable had the export price not been adjusted for a commission when sales took place through the intermediary of the

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

<sup>2</sup> OJ L 175, 29.6.2006, p. 4.

affiliated trader, Sepco SA.<sup>3</sup> On 16 February 2012 the Court of Justice of the European Union upheld the judgment of the General Court.<sup>4</sup>

- (3) Following these judgments, the Council amended Council Regulation (EC) No 954/2006 by Regulation (EU) No 540/2012<sup>5</sup> to correct the anti-dumping duty imposed on Interpipe in so far as it had been erroneously established. Accordingly, the anti-dumping duty currently in force for Interpipe is 17.7 %.
- (4) By Regulation 585/2012<sup>6</sup> the Council, following an expiry review, maintained the measures imposed by Council Regulation (EC) No 954/2006 on imports of seamless pipes and tubes, of iron or steel, originating in Russia and Ukraine ('the expiry review investigation').
- (5) Accordingly, the measures currently in force are those established by Regulation (EU) No 585/2012, i.e. between 24.1 and 35.8% for imports from Russia and between 12.3% and 25.7 % for imports from Ukraine, with LLC Interpipe Niko Tube and OJSC Interpipe Nizhnedneprovsky Tube Rolling Plant having an anti-dumping duty of 17.7%.

#### 1.2. Request for a partial interim review

- (6) On 29 July 2011, the Commission announced by a notice published in the *Official Journal of the European Union* the initiation of a partial interim review ('Notice of initiation')<sup>7</sup> of the anti-dumping measures applicable to imports of certain seamless pipes and tubes, of iron or steel, originating in Ukraine pursuant to Article 11(3) of the basic Regulation.
- (7) The review, which is limited in scope to the examination of dumping, was initiated following a substantiated request lodged by Interpipe. In the request Interpipe provided *prima facie* evidence that the continued imposition of the measure at its current level is no longer necessary to offset injurious dumping.

#### 1.3. Investigation

- (8) The investigation of the level of dumping covered the period from 1 April 2010 to 31 March 2011 ('the review investigation period' or 'RIP').
- (9) The Commission officially informed the applicant, the authorities of the exporting country and the Union industry of the initiation of the partial interim review. 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.

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<sup>3</sup> Judgment of 10 March 2009 in case T-249/06, Interpipe Nikopolsky Seamless Tubes Plant Niko Tube ZAT and Interpipe Nizhnedneprovsky Tube Rolling Plant VAT v. Council of the European Union, (*Interpipe v. Council*).

<sup>4</sup> Judgment of 16 February 2012 in joined cases C-191/09 P and C-200/09 P, Council of the European Union v. Interpipe Nikopolsky Seamless Tubes Plant Niko Tube ZAT and Interpipe Nizhnedneprovsky Tube Rolling Plant VAT (*Council v. Interpipe*).

<sup>5</sup> OJ L 165, 26.6.2012, p. 1.

<sup>6</sup> OJ L 174, 4.7.2012, p. 5.

<sup>7</sup> OJ C 223, 29.7.2011, p. 8.

- (10) In order to obtain the information necessary for its investigation the Commission sent a questionnaire to the applicant, which responded within the given deadline.
- (11) The Commission sought and verified all information it deemed necessary for the purpose of determining the level of dumping. Verification visits were carried out at the premises of the applicant and at its related trading companies LLC Interpipe Ukraine and Interpipe Europe SA.

## 2. PRODUCT CONCERNED AND LIKE PRODUCT

### 2.1. Product concerned

- (12) The product concerned is the same as that defined in Regulation 585/2012 which imposed the measures currently in force, *i.e.* seamless pipes and tubes of iron or steel ('SPT'), of circular cross-section, of an external diameter not exceeding 406,4 mm with a Carbon Equivalent Value (CEV) not exceeding 0,86 according to the International Institute of Welding (IIW) formula and chemical analysis<sup>8</sup>, originating in Ukraine, currently falling within CN codes ex 7304 11 00, ex 7304 19 10, ex 7304 19 30, ex 7304 22 00, ex 7304 23 00, ex 7304 24 00, ex 7304 29 10, ex 7304 29 30, ex 7304 31 80, ex 7304 39 58, ex 7304 39 92, ex 7304 39 93, ex 7304 51 89, ex 7304 59 92 and ex 7304 59 93 ('the product concerned').

### 2.2. Like product

- (13) As established in the original investigation as well as in the expiry review investigation, the current investigation confirmed that the product produced in Ukraine and exported to the Union, the product produced and sold on the domestic market of Ukraine, and the product produced and sold in the Union by the Union producers have the same basic physical and technical characteristics and end uses. These products are therefore considered to be alike within the meaning of Article 1(4) of the basic Regulation.

## 3. DUMPING

### 3.1. Preliminary remarks

- (14) Interpipe has two fully owned and controlled exporting producers, LLC Interpipe Niko Tube (Niko Tube) and OJSC Interpipe Nizhnedneprovsky Tube Rolling Plant (Interpipe NTRP). In line with the Institutions' standard practice, one common dumping margin was calculated for the two exporting producers. The amount of dumping was first calculated for each individual exporting producer before determining a single weighted average rate of dumping for both companies.
- (15) This methodology, however, was different from the methodology applied in the original investigation, where the common dumping margin was calculated by collapsing all data relating to production, profitability and sales in the Union of the two producing entities. The change in circumstances that warrants this change in methodology is due to a marked change in the corporate structure of the group

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<sup>8</sup> The CEV shall be determined in accordance with Technical Report, 1967, IIW doc. IX-555-67, published by the International Institute of Welding (IIW).

allowing the identification of the relevant production company with respect to sales and production, which was not possible in the original investigation.

- (16) Furthermore, in the original investigation an adjustment pursuant to Article 2(5) of the basic Regulation was made in respect of Interpipe's energy costs in order to reasonably reflect the costs associated with the production and sale of electricity and gas in Ukraine. This adjustment was deemed necessary due to the fact that Ukrainian gas and electricity prices, at the time, were significantly lower than the average price paid in the Union and did not reflect international market prices. The adjustment was based on the average prices observed in Romania, which at that time formed part of the investigation.
- (17) However, contrary to the original investigation, it is considered that an energy adjustment is not deemed necessary for the purpose of the current interim review. The investigation has shown that the average Ukrainian energy prices have increased steadily since the original investigation, at a much higher rate than the average prices in the European Union, thus gradually bridging the gap between them. The considerable price difference in energy costs that was found during the original investigation and warranted an adjustment is therefore currently not present.
- (18) Based on the above it is not considered appropriate to make an energy adjustment in this interim review.

## 3.2. Dumping of imports during the RIP

### 3.2.1. Normal value

- (19) In accordance with Article 2(2) of the basic Regulation it was first examined whether each of the exporting producers' total volume of domestic sales of the like product to independent customers was representative in comparison with its total volume of export sales to the Union, i.e. whether the total volume of such sales represented at least 5% of the total volume of export sales of the product concerned to the Union. The examination established that the domestic sales were representative for both exporting producers.
- (20) It was further examined whether each product type of the like product sold by the exporting producers on its domestic market were sufficiently representative for the purposes of Article 2(2) of the basic Regulation. Domestic sales of a particular product type were considered sufficiently representative when the total volume of that product type sold by the applicant on the domestic market to independent customers during the RIP represented at least 5% of its total sales volume of the comparable product type exported to the Union.
- (21) In accordance with Article 2(4) of the basic Regulation it was subsequently examined whether the domestic sales of each product type that had been sold in representative quantities could be regarded as being made in the ordinary course of trade. This was done by establishing the proportion of profitable domestic sales to independent customers on the domestic market for each exported type of the product concerned during the RIP.
- (22) For those product types where more than 80% by volume of sales on the domestic market of the product type were above cost and the weighted average sales price of

that type was equal to or above the unit cost of production, normal value, by product type, was calculated as the weighted average of the actual domestic prices of all sales of the type in question, irrespective of whether those sales were profitable or not.

- (23) Where the volume of profitable sales of a product type represented 80% or less of the total sales volume of that type, or where the weighted average price of that type was below the unit cost of production, normal value was based on the actual domestic price, which was calculated as a weighted average price of only the profitable domestic sales of that type made during the RIP.
- (24) The normal value for the non-representative types (i.e. those of which domestic sales constituted less than 5 % of export sales to the Union or were not sold at all in the domestic market) was calculated on the basis of the cost of manufacturing per product type plus an amount for selling, general and administrative costs and for profits. In case of existing domestic sales, the profit of transactions in the ordinary course of trade on the domestic market per product type for the product types concerned was used. In case of no domestic sales, an average profit was used. This change in methodology, is due to the fact that following the original investigation, a WTO Panel issued, and the WTO Dispute Settlement Body adopted, the report in case *European Communities - Anti-dumping Measure on Farmed Salmon from Norway*<sup>9</sup>, which provides that the actual profit margin established for the transactions in the ordinary course of trade of the relevant product types for which normal value has to be constructed cannot be disregarded.
- (25) After disclosure of the final conclusions, the two exporting producers argued that idle costs should not have been included in their total manufacturing costs of the product concerned during the RIP, claiming that this was in breach of Article 2(5) of the basic anti-dumping regulation and in contradiction with the accounting principles set out under the International Accounting Standards (IAS) and IAS 2 ( in particular. With regard to Article 2(5) it should be noted that under this article, when it is considered that costs associated with the production of the product concerned are not reasonably reflected in the records of the party concerned, they shall be adjusted. The fact that the company did not operate at its full capacity implied that costs were however incurred. Indeed, such costs were recorded as a cost in the income statement of the two exporting companies and could directly be linked to the like product. Furthermore, reference to IAS 2 was found to be irrelevant because the objective of IAS 2 is to prescribe the accounting treatment for inventories and does not determine what should be considered as cost of manufacturing. The claim was therefore rejected.
- (26) The same exporting producers also claimed that certain financial expenses resulting from loans, which were included in the SGA expenses should have been excluded. They claimed that these loans were taken to satisfy the needs for liquidity and short term financing of the company and they were not related to the production of the product concerned. During the verification visit it was indeed found that the interest expenses were mainly related to finance the working capital. Therefore, interest cost were allocated to all products. The exporting producers could not demonstrate that the interest expenses were specifically made for other purposes than to finance the

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<sup>9</sup> WT/DS337/R of 16 November 2007 – adopted by the Dispute Settlement Body on 15 January 2008



working capital. The two exporting producers could not provide any further evidence to substantiate their claim and this claim was therefore rejected.

### 3.2.2. Export price

- (27) All exports of the product concerned by the two exporting producers to the Union were made through a related trading company located in Switzerland directly to independent customers in the Union. The export price was therefore established on the basis of export prices actually paid or payable in accordance with Article 2(8) of the basic Regulation.

### 3.2.3. Comparison

- (28) It is recalled that in the original investigation an adjustment was made to the export price under Article 2(10)(i) of the basic Regulation in the cases where sales were made through related traders. However, in line with the judgment of the Court of Justice in the *Interpipe* case<sup>10</sup>, which held that the adjustment was not warranted, no such adjustment has been made in this interim review.
- (29) The normal value and the export price of the two exporting producers were compared on an ex-works basis. For the purpose of ensuring a fair comparison between the normal value and export price, due allowance in the form of adjustments was made for differences affecting prices and price comparability in accordance with Article 2(10) of the basic Regulation. On this basis, adjustments were made in respect of transport costs, rebates and discounts, commissions and credit costs.

### 3.2.4. Dumping margin

- (30) Pursuant to Article 2(11) and (12) of the basic Regulation, the weighted average normal value was compared with the weighted average export price per product type on an ex-work basis separately for each of the two exporting producers. As mentioned in recital (14) above, one common dumping margin is subsequently established for Interpipe by calculating a single weighted average rate of dumping for both exporting producers within Interpipe.
- (31) On this basis the dumping margin, expressed as an percentage of the cif Union frontier price, duty unpaid, is 13.8%

## 4. LASTING NATURE OF CHANGED CIRCUMSTANCES

- (32) In its request for a partial interim review the applicant claimed that changes in the corporate structure and production organisation, as well as a restructuring of the sales organisation on both the domestic and export markets, had had an impact on its cost structure and that, therefore, the existing level of the anti-dumping duty were no longer necessary in order to offset injurious dumping.

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<sup>10</sup> The Court of Justice of the European Union judgment of 16 February 2012 in joined cases C-191/09 P and C-200/09 P, Council of the European Union versus Interpipe Nikopolsky Seamless Tube Plant Niko Tube ZAT and Interpipe Nizhnedneprovsky Tube Rolling Plant VAT ('Interpipe').

- (33) It was accordingly investigated whether the changed circumstances that led to the initiation of this interim review and the result thereof can reasonably be considered to be of a lasting nature.
- (34) The investigation has established that the main factors leading to the lower dumping margin found in this review investigation are changes in the corporate organisation, which includes a merger between two production companies, and a restructuring of the sales organisation, which has been streamlined. These changes, which have affected the cost structure of the applicant for the production and selling of the product concerned are of a structural nature and thus unlikely to change in the foreseeable future. Moreover, there were no indications of significant volatility in the applicant's prices.
- (35) It was therefore concluded that the changes are of a lasting nature and that the application of the existing measures at their current level is no longer necessary.

HAS ADOPTED THIS REGULATION:

*Article 1*

The entry concerning LLC Interpipe Niko Tube and OJSC Interpipe Nizhnedneprovsky Tube Rolling Plant (Interpipe NTRP) in the table of Article 1(2) of Regulation (EU) No 585/2012 shall be replaced by the following:

LLC Interpipe Niko Tube and OJSC Interpipe Nizhnedneprovsk Tube Rolling Plant (Interpipe NTRP)	13.8 %	A743
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*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*