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2011/0234 (NLE)

Proposal for a

COUNCIL IMPLEMENTING REGULATION

imposing a definitive anti-dumping duty on imports of bicycles originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Council 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 expiry review proceeding concerning the anti-dumping duty in force in respect of imports of bicycles originating in the People's Republic of China ('PRC').

General context

This proposal is made in the context of the implementation of the basic Regulation and is the result of an investigation which was carried out in line with the substantive and procedural requirements laid out in the basic Regulation.

Existing provisions in the area of the proposal

By Regulation (EEC) no 2474/93[1] the Council imposed a definitive anti-dumping duty of 30,6% on imports of bicycles originating in the People's Republic of China. Following an anti-circumvention investigation pursuant to Article 13 of the basic Regulation, this duty was extended by Council Regulation (EC) No 71/97[2] to imports of certain bicycles parts originating in the People's Republic of China (PRC).

Following an expiry review pursuant to Article 11 (2) of the basic Regulation, the Council, by Regulation (EC) No 1524/2000[3], decided that the above mentioned measures should be maintained.

Following an interim review pursuant to Article 11 (3) of the basic Regulation, the Council, by Regulation (EC) No 1095/2005[4], decided to increase the anti-dumping duty in force to 48,5%.

Consistency with 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.

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1 OJ L 228, 9.9.1993, p. 1
2 OJ L 16, 18.1.1997, p. 55
3 OJ L 175, 14.7.2000, p. 39
4 OJ L 183, 14.7.2005, p. 1

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 provide for 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 13 July 2010, the Commission announced by a notice, published in the *Official Journal of the European Union*, the initiation of an expiry review of the anti-dumping measures applicable to imports of bicycles originating in the PRC.

The review was initiated following a substantiated request lodged by the European Bicycles Manufacturers Association (EBMA) on behalf of Union producers representing a major proportion, in this case more than 25% of the Union production of bicycles.

The review investigation found continuing dumping of the product concerned, which, should anti-dumping measures be lifted, would result in the continuation of injury to the Union industry. It was further established that the continuation of measures was not against the interest of the Union.

Therefore, it is suggested that the Council adopts the attached proposal for a Regulation in order to prolong the existing measures, which should be published in the Official Journal of the European Union by 12 October 2011 at the latest.

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.

Subsidiarity principle

The proposal falls under the exclusive competence of the European 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 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 basic Regulation does not provide for alternative options.

BUDGETARY IMPLICATION

The proposal has no implication for the Union budget.

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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[5] ('the basic Regulation'), and in particular Articles 9(4) and 11 paragraphs (2), (5) and (6) thereof,

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

Whereas:

A. PROCEDURE

1. MEASURES IN FORCE

(1) By Regulation (EEC) no 2474/93[6] the Council imposed a definitive anti-dumping duty of 30,6% on imports of bicycles originating in the People's Republic of China (the "original measures"). Following an anti-circumvention investigation in accordance with Article 13 of the basic Regulation, this duty was extended by Council Regulation (EC) No 71/97[7] to imports of certain bicycles parts originating in the People's Republic of China ("PRC"). In addition, it was decided to create an 'exemption scheme' on the basis of Article 13(2) of the basic Regulation. The details of the scheme were provided for in Commission Regulation (EC) No 88/97[8]. In order to receive an exemption from the extended duty, bicycle producers in the Union have to respect the conditions of Article 13.2 of the basic Regulation, namely to respect a ratio of less than 60% of Chinese bicycle parts in their operation or the addition of more than 25% value to all parts brought into the operation. To date, more than 250 exemptions have been granted.

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5 OJ L 343, 22.12.2009, p. 51.
6 OJ L 228, 9.9.1993, p. 1
7 OJ L 16, 18.1.1997, p. 55
8 OJ L 17, 21.2.1997, p. 17

(2) Following an expiry review pursuant to Article 11(2) of the basic Regulation, the Council, by Regulation (EC) No 1524/2000[9], decided that the above mentioned measures should be maintained.

(3) Following an interim review pursuant to Article 11(3) of the basic Regulation (the "previous investigation"), the Council, by Regulation (EC) No 1095/2005[10], decided to increase the anti-dumping duty in force to 48,5%.

2. PRESENT INVESTIGATION

(4) On 13 July 2010, the Commission announced by a notice ('Notice of initiation')[11], published in the Official Journal of the European Union, the initiation of an expiry review of the anti-dumping measures applicable to imports of bicycles originating in the PRC.

(5) The review was initiated following a substantiated request lodged by the European Bicycles Manufacturers Association (EBMA, the "applicant") on behalf of Union producers representing a major proportion, in this case more than 25%, of the Union production of bicycles.

(6) The request was based on the grounds that the expiry of the measures would be likely to result in a continuation of dumping and recurrence of injury to the Union industry.

3. PARTIES CONCERNED BY THE INVESTIGATION

(7) The Commission officially advised the applicant, the Union producers mentioned in the request, any other known Union producers, the exporting producers, importers as well as the associations known to be concerned and the authorities of the PRC, of the initiation of the investigation.

(8) Interested parties were given an opportunity to make their views known in writing and to request a hearing within the time-limits set in the notice of initiation.

(9) A number of Union producers represented by the applicant, other cooperating Union producers, exporting producers, importers, and user associations made their views known.

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

4. SAMPLING

(11) In view of the large number of exporting producers, Union producers and importers involved in the investigation, sampling was envisaged in the notice of initiation, in accordance with Article 17 of the basic Regulation.

(12) In order to enable the Commission to decide whether sampling would be necessary and, if so, to select a sample, exporting producers and representatives acting on their

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[9] OJ L 175, 14.7.2000, p. 39
[10] OJ L 183, 14.7.2005, p. 1
[11] OJ C 188, 13.7.2010, p. 5

behalf, Union producers and importers were requested to make themselves known and to provide information as specified in the notice of initiation. The Commission also contacted known associations of exporting producers and the relevant authorities of the PRC. These parties raised no objections to the use of sampling.

(13) In total, 7 exporters/producers, around 100 Union producers and 4 importers provided the requested information within the time-limits set.

(14) Given that only seven Chinese producers replied to the sampling information requested in the notice of initiation, it was decided not to apply sampling. Questionnaires were sent to these seven companies, only three of which submitted replies. Of these three companies, only two reported exports of the product concerned to the Union during the RIP.

(15) As for the Union producers, in accordance with Article 17(1) of the basic Regulation, the sample was selected after consultation with the relevant association and with their consent on the basis of the largest representative volume of sales and production within the Union. As a result, eight Union producers were selected in the sample. The Commission sent questionnaires to the eight companies selected, which submitted complete replies.

(16) Given the limited number of importers who replied and indicated their willingness to cooperate (4 importers), it was decided that sampling was not necessary as regard importers. The Commission sent questionnaires to the 4 importers. Subsequently, only one importer sent a reply to the questionnaire, but this reply was incomplete as the importer was involved in the process of closing down its operations.

(17) The Commission sought and verified all information it deemed necessary for the purpose of determining of the likelihood of continuation or recurrence of dumping and injury and the Union interest. Information submitted by the following companies was verified on spot:

(a) Producers in the Union

– Accell Group N.V., Heerenveen, The Netherlands,

– Decathlon S.A., Villeneuve d'Ascq, France,

– Cycleurope Industries S.A.S., Romilly sur Seine, France,

– Denver S.R.L., Dronero, Italy,

– Derby Cycle Werke GmbH, Cloppenburg, Germany,

– MIFA Mitteldeutsche Fahrradwerke AG, Sangerhausen, Germany,

– Sprick Rowery Sp.zo.o., Świebodzin, Poland and Sprick Cycle GmbH, Gütersloh, Germany,

– UAB Baltik Vairas and UAB Baltic Bicycle Trade, Šiauliai, Lithuania, and Pantherwerke AG and Onyx Cycle GmbH, Löhne, Germany.

(b) Exporting producers in the PRC

– Oyama Bicycles (Taicang) Co., China,

– Tianjin Golden Wheel Bicycle (Group) Co. Ltd., China.

(18) The investigation of dumping and injury covered the period from 1 April 2009 to 31 March 2010 (the "review investigation period" or "RIP"). The examination of trends in the context of the analysis of injury covered the period from January 2007 to the end of the RIP (the "period considered").

B. PRODUCT CONCERNED AND LIKE PRODUCT

(19) The product concerned is the same as that covered by Regulation (EC) No 1524/2000 as amended by regulation (EC) No 1095/2005, namely bicycles and other cycles (including delivery tricycles, but excluding unicycles), not motorised, currently falling within CN codes ex 8712 00 10, 8712 00 30 and ex 8712 00 80.

(20) As in the previous investigation, the bicycles were classified in the following categories:

– (A) ATB (al-terrain bicycles including mountain bicycles 24″ or 26″),

– (B) trekking/city/hybrid/VTC/touring bicycles 26″ or 28″,

– (C) junior action (BMX) and children's bicycles 16″ or 20″,

– (D) other bicycles/cycles (excluding unicycles).

(21) All types of bicycles as defined above have the same basic physical and technical characteristics. Furthermore, they are sold through similar distribution channels such as specialised retailers, sport chains and mass merchandisers on the Union market. The basic application and use of bicycles being identical, they are largely interchangeable and models from different categories therefore compete with each other. On this basis, it was concluded that all the categories form one single product.

(22) The investigation also showed that bicycles produced and sold by the Union industry on the Union market, those produced and sold on the analogue country market and those imported into the Union market originating in the PRC have the same basic physical and technical characteristics and the same basic uses.

(23) After disclosure, one party alleged that there was little or no competition between the Chinese bicycles and the bicycles produced in the Union market. However, there was no information in the file that could have supported such claim and no documentary evidence was submitted in support to this claim. In this context, it is also noted that as mentioned below in recital (26), the cooperation of the Chinese exporting producers was very low and they provided very limited information concerning the products produced and sold by the Chinese producers to the Union market. Therefore, and in the absence of any more reliable information, the claim was rejected.

(24) Bicycles produced and sold by the Union industry on the Union market, those produced and sold on the analogue country market and those imported into the Union

market originating in the PRC are, therefore, considered to be alike within the meaning of Article 1(4) of the basic Regulation.

C. LIKELIHOOD OF A CONTINUATION OR A RECURRENCE OF DUMPING

1. PRELIMINARY REMARKS

(25) In accordance with Article 11(2) of the basic Regulation, it was examined whether dumping was likely to continue or recur upon a possible expiry of the measures in force.

(26) The level of cooperation in this proceeding was very low since its initiation. As indicated in recital (14), only three Chinese producers submitted questionnaire replies and were willing to cooperate initially. Of these three companies, only two reported exports of the product concerned to the Union during the RIP, representing together less than 10% of the total exports of the product concerned to the Union.

(27) Verification visits were carried out at the premises of the two companies with exports sales to the Union. However, for one of them, it was not possible to verify information given in the questionnaire reply as the company failed to provide documents that would substantiate the data which it had submitted. The other company cooperated satisfactorily, but its exports to the Union during the RIP represent less than 5% of the total exports of the product concerned from the PRC to the Union.

(28) On the basis of the above, the Chinese authorities and the three companies were notified of the possibility that Article 18 of the basic Regulation might be applied due to a low level of cooperation by the exporting producers and were given an opportunity to present their comments. The Commission did not receive any comments in response to this communication. Consequently, conclusions regarding the likelihood of continuation or recurrence of dumping below are based on facts available in accordance with Article 18 of the basic Regulation, namely trade statistics and submissions by interested parties, including the request.

2. DUMPING OF CHINESE IMPORTS DURING THE RIP

2.1. Analogue country

(29) In the notice of initiation, it was envisaged to use Mexico as an analogue country for the purpose of establishing a normal value for the PRC. Interested parties were invited to comment on the appropriateness of this choice.

(30) One party commented on the appropriateness of the selection of Mexico as the analogue country, claiming that domestic prices of bicycles in Mexico are not reliable and are unsuitable for the purpose of this investigation. India was proposed as an alternative. This claim was, however, not substantiated and, therefore, rejected.

(31) Mexico was used as an analogue country in the previous investigations and no new or changed circumstances which would justify a change were proven to exist. The Mexican market profile for the product concerned, number of operators, domestic competition and the features of production process confirmed that Mexico was still an appropriate analogue country.

(32) Questionnaires were sent to three Mexican companies. Of the three companies, only one wished to cooperate and submitted a questionnaire reply.

2.2. Normal value

(33) Domestic sale prices from the analogue country were used to establish an average normal value, using the average currency rate for the RIP between Euro and Peso in order to obtain a weighted average ex-works price in Euro.

2.3. Export price

(34) Due to the application of Article 18 and to the absence of other reliable information available, export prices were mainly established on the basis of Eurostat data and on information provided by the only Chinese cooperating exporter.

(35) During the previous investigation, it was concluded that the prices found in Eurostat were inconclusive for the purpose of the analysis[12]. However, due to the low cooperation from the Chinese exporters, the Commission considered the import prices of Eurostat for the PRC as a reasonable source for the purpose of the current investigation. Nonetheless, the Commission is aware of the limitations of this analysis and that it can only serve as an indicator of price trends.

(36) The export price derived from Eurostat is a CIF price, which had to be adjusted for the average cost of sea freight per transaction in order to calculate an ex-works level. Information contained in the reply of the sole cooperating Chinese producer was used to establish the average sea freight cost per unit, calculated at EUR 8,30. The ex-works export price to the Union of the only Chinese cooperating company was established on a similar basis. The resulting unit price was then used to calculate a weighted average Chinese ex-works price.

2.4. Comparison

(37) Pursuant to Article 2(11) of the basic Regulation, the weighted average normal value from Mexico was compared to the weighted average Chinese export price on an ex-works basis. A weighted average dumping margin was thus established.

2.5. Dumping margin

(38) The dumping calculations showed a country-wide dumping margin of more than 20%. This level should, however, be considered as conservative due to the fact that the Eurostat data does not take into account the substantial price differences among the various types of the product concerned. It should be noted in this context that according to information submitted in the request, dumping margins reached levels of more than 100%.

[12] OJ L 183, 14.7.2005, p. 20

3. DEVELOPMENT OF IMPORTS SHOULD MEASURES BE REPEALED

3.1. Preliminary remark

(39) The likely development of the imports from the PRC was analysed in terms of both expected price trends and volume.

3.2. Spare capacity of the Chinese exporting producers

(40) Based on information submitted in the request, the Chinese bicycles manufacturing industry is, in volume terms, the largest in the world. The PRC has a production capacity of 100 to 110 million bicycles and a production of about 80 million bicycles per year. The Chinese bicycles industry is export oriented: out of an annual production of 80 million bikes, 25 million bicycles are for the domestic market and the remaining 55 million bicycles, or 69% of total production, is for export.

(41) The estimated annual spare capacity in the PRC is about 20 to 30 million bicycles, which is more than double the present production in the Union as stated in recital (66). Moreover, information obtained during the investigation shows that the production capacity in the PRC for bicycles can be easily increased, *inter alia*, through the employment of additional workforce, in case of an increased demand.

(42) Therefore, in view of the above, it cannot be excluded that spare capacity available in the PRC could be used to increase exports to the Union in the absence of anti-dumping measures.

(43) After disclosure one party argued that the Chinese production capacity mentioned in the regulation was unfounded and based on pure speculation. In this respect, it is reminded that the cooperation from the Chinese exporting producers was very low and that to a large extent findings had to be based on the facts available. In this case, and as mentioned above in recital (40), in the absence of any other more reliable information, the Commission used the *prima facie* evidence submitted in the request. The investigation did not bring into light any information that would have suggested that such *prima facie* evidence was inaccurate. The party in question did also not submit any information or evidence that would have shown substantially different levels of spare capacity in PRC. This claim was therefore rejected.

3.3. Attractiveness of the Union market and export prices to third countries

(44) Data from Eurostat and from the request show that the Union constitutes an attractive market for the Chinese exporting producers.

(45) Price information provided by the only cooperating Chinese exporting company show that the weighted average ex-works export prices of the product regarding third countries is lower than the average ex-works sales prices in the Union for the RIP. Taking the production capacity in the PRC and the demand in the Union market into consideration, it would be quite likely that Chinese manufacturers would immediately increase their exports of bicycles to the Union, should the measures be repealed. Moreover, the existing overcapacity gives the Chinese manufacturers the possibility to be present on the European market at very low prices.

3.4. Conclusion of the likelihood of continuation of dumping

(46) In view of the fact that even considering the measures currently in force, a conservative comparison using Eurostat figures and information submitted by the only Chinese cooperating exporter showed a dumping margin of over 20% for Chinese exports during the RIP, it is very likely that dumping will continue in the absence of measures.

(47) The foregoing analysis demonstrated that Chinese imports continued to enter the Union market at dumped prices. Given most notably the spare capacity available in the PRC, which can easily be increased even more if needed, as well as the analysis of the price levels in the Union and other third countries, it can be concluded that there is a likelihood of continuation of dumping, should measures be removed.

D. SITUATION ON THE UNION MARKET

1. UNION PRODUCTION AND UNION INDUSTRY

(48) In the course of the present investigation it was found that bicycles have been manufactured by around 100 Union producers which made themselves known in the investigation plus other producers, most of which are represented by their national associations. These companies constitute the Union industry within the meaning of Article 4(1) of the basic Regulation. Furthermore, the investigation showed that the industry is benefiting from the exemption scheme which was described in recital (1) above.

(49) All available information, including information provided in the request, data collected from Union producers and national associations before and after the initiation of the investigation, as well as general production statistics was used in order to establish total Union production.

2. CONSUMPTION IN THE UNION MARKET

(50) The Union producers' sales were assessed on the basis of data collected from producers in the reply to the sampling forms and data reported in the request lodged by the applicant. The data in the request was collected from various bicycle-manufacturing associations in the Union.

(51) The apparent Union consumption was established on the basis of the sales of all Union producers on the Union market, as estimated in recital (68), plus imports from all countries as reported by Eurostat.

(52) Between 2007 and the RIP, Union consumption decreased by 11% from 22 912 066 units in the year 2007 to 20 336 813 units during the RIP. Consumption fell in particular between 2008 and 2009. Detailed data, expressed in units, are as follows:

Table 1

Consumption

	2007	2008	2009	RIP
Volume (units)				
+ Total imports	10.073.428	10.017.551	8.973.969	9.202.752
+ Union production sold on the Union market	12.838.638	12.441.446	11.604.072	11.134.061
= Consumption	22.912.066	22.458.997	20.578.041	20.336.813
Index (2007=100)	*100*	*98*	*90*	*89*

3. VOLUME AND MARKET SHARE OF DUMPED IMPORTS FROM THE PEOPLE'S REPUBLIC OF CHINA

(53) The volume of imports of the product concerned was established on the basis of statistical information provided by Eurostat. The volume of dumped imports of the product concerned originating in the PRC decreased by 38% over the period considered to 615 920 units during the RIP (see Table 2). The imports of the product concerned from the PRC at the beginning of the period considered was 26% higher than that imported during the RIP of the previous investigation (1 April 2003 to 31 March 2004: 733 901 units[13]). The largest drop in the imports of the product concerned occurred between 2008 and 2009, which is in line with what occurred in total Union consumption (see Table 1 and 2).

(54) Since the imports from the PRC fell more than the consumption during the period considered, the market share of the PRC slightly dropped from 4,4 % in 2007 to 3,1 % in the RIP.

(55) The developments of imports and market share of bicycles originating in the PRC during the period considered is shown in the following table:

Table 2

Imports from PRC

	2007	2008	2009	RIP
Volume of imports from the country concerned (units)	986.514	941.522	598.565	615.920
Index (2007=100)	*100*	*95*	*61*	*62*
Market share of imports from the country concerned	4,4%	4,3%	3,0%	3,1%

4. PRICES OF THE IMPORTS CONCERNED

4.1. Evolution of prices

(56) As explained in recital (35) the Commission considered the imports prices of Eurostat for the PRC as a reasonable source for the purpose of the current investigation.

(57) According to Eurostat data, the weighted average import prices, hereafter indicated by index, from the PRC increased by 125% between the year 2007 and the RIP. The import prices rose significantly in 2009 and then remained almost constant. Detailed data is shown in the following table:

[13] OJ L 183, 14.7.2005, p. 19

Table 3

Prices of the imports concerned

	2007	2008	2009	RIP
PRC				
Index (2007=100)	*100*	*128*	*224*	*225*

4.2. Price undercutting

(58) For the determination of the price undercutting of bicycles originating in the PRC, the Commission based its analysis on the information submitted in the course of the investigation by the sampled Union producers and the average prices from Eurostat. The relevant sales prices of the Union industry were those to independent customers, which were adjusted when necessary to ex-works level. The comparison showed that after deduction of the anti-dumping duty, imports from the PRC were undercutting the prices of the Union industry by 53%.

5. IMPORTS FROM OTHER COUNTRIES

(59) Based on Eurostat data, imports from other third countries decreased from 9 087 000 units in 2007 to 8 587 000 units in the RIP; an overall decrease of 6%. They followed the decreasing trend of Union consumption (- 11%), but at a slower pace. The market share of third countries increased from 40% to 42% during the period considered. However as stated in recital (35) and (56), the prices in Eurostat do not take into consideration the various product mixes from each country and therefore only indexes are used to indicate the price trends. Since the product mix of the imports from other third countries is unknown, it is not meaningful to compare prices of the imports below with those of the Union industry. Nevertheless, some additional information was sought and obtained regarding imports from those countries that account for most other imports of bicycles. Detailed data is shown below:

Table 4

Imports from other countries

	2007			2008			2009			RIP		
All Types	Units '000	Market share	Price EUR/unit	Units '000	Market share	Price EUR/unit	Units '000	Market share	Price EUR/unit	Units '000	Market share	Price EUR/unit
Taiwan	3.186	14%		3.428	15%		2.949	14%		2.958	15%	
Indexed	*100*	*100*	*100*	*108*	*110*	*104*	*93*	*103*	*125*	*93*	*105*	*125*
Thailand	1.534	7%		1.522	7%		1.384	7%		1.397	7%	
Indexed	*100*	*100*	*100*	*99*	*101*	*107*	*90*	*100*	*127*	*91*	*103*	*127*
Philippines	690	3%		437	2%		449	2%		476	2%	
Indexed	*100*	*100*	*100*	*63*	*65*	*105*	*65*	*73*	*106*	*69*	*78*	*103*
Malaysia	475	2%		361	2%		193	1%		265	1%	
Indexed	*100*	*100*	*100*	*76*	*77*	*106*	*41*	*45*	*116*	*56*	*63*	*99*
Sri Lanka	574	3%		749	3%		1.017	5%		1.101	5%	
Indexed	*100*	*100*	*100*	*131*	*133*	*107*	*177*	*197*	*108*	*192*	*216*	*107*
Tunisia	550	2%		527	2%		530	3%		495	2%	
Indexed	*100*	*100*	*100*	*96*	*98*	*105*	*96*	*107*	*113*	*90*	*101*	*113*
Others	2.078	*9%*		2.052	9%		1.854	9%		1.895	9%	
Indexed	*100*	*100*	*100*	*99*	*101*	*110*	*89*	*99*	*131*	*91*	*103*	*127*
TOTAL	9.087	*40%*		9.076	40%		8.375	41%		8.587	42%	
Indexed	*100*	*100*	*100*	*100*	*102*	*109*	*92*	*103*	*125*	*94*	*106*	*122*

(1) Taiwan

(60) The imports from Taiwan have decreased during the period considered from 3 158 600 units in 2007 to 2 958 000 units in the RIP and their market share slightly increased from 14% to 15% during the same period. Imports of bicycles from Taiwan are aimed at the high-end market. During the investigation, it has been demonstrated, applying model comparison, that imports from Taiwan are sold at a higher price than the similar models produced by the Union industry like in the previous investigation period[14]. In addition, during the period considered, the price of the imports had an increasing trend, registering an increase of 25% in the RIP as compared to 2007.

(2) Thailand

(61) Imports originating in Thailand have decreased during the period considered from 1 534 000 units in 2007 to 1 397 000 units during the RIP. The decline of the imports was in line with the consumption trend as their market share remained constant at 7%. However, the imports of bicycles from Thailand are mid-range bicycles and the investigation showed that applying model comparison, the imports from Thailand are sold at a higher price than the similar models produced by the Union industry. In addition, during the period considered, the price of the imports had an increasing trend, registering an increase of 27% in the RIP as compared to 2007.

(3) Sri Lanka

(62) The imports from Sri Lanka almost doubled during the period considered from 574 000 units in 2007 to 1 101 000 units during the RIP and their market share reached 5% at the end of the period considered. It has, however, been alleged by one party that the Chinese exporters are circumventing the anti-dumping duties by means of transhipment via Sri Lanka. At this moment in time, the Commission does not have sufficient information to draw any conclusion in respect of the situation of these imports. In these circumstances, it can not be excluded that imports reported as originating from Sri Lanka are contributing to the injury suffered by the Union industry.

(63) After disclosure, one interested party claimed that the conclusions on a possible circumvention via Sri Lanka were only a conjecture and any allegation concerning circumvention practices via Sri Lanka should not be taken into consideration in the final conclusions. In reply to this claim, it should be underlined that, as clearly expressed in recital (62) above, the Commission did not draw any conclusion on this issue.

6. ECONOMIC SITUATION OF THE UNION INDUSTRY

6.1. Preliminary remarks

(64) Pursuant to Article 3(5) of the basic Regulation, the Commission examined all relevant economic factors and indices having a bearing on the state of the Union industry.

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[14] OJ L 183, 14.7.2005, p. 30

(65) As explained above, considering the large number of complainant Union producers, the provisions on sampling had to be used. For the purpose of the injury analysis, the injury indicators have been established as follows:

- The macroeconomic elements (production capacity, sales volume, market share, employment, productivity, growth, magnitude of dumping margins and recovery from the effects of past dumping) were assessed at the level of the whole Union production, on the basis of the information collected from the national Union producers associations and individual companies. These factors were cross-checked, where possible, with the overall information provided by the relevant official statistics.

- The analysis of microeconomic elements (stocks, sales prices, cash flow, profitability, return on investments, ability to raise capital, investments and wages) was carried out for the individual companies, i.e. at the level of those Union producers which were included in the sample.

6.2. Macro-economic indicators

(a) Production, production capacity and capacity utilisation

(66) The Union industry's production slightly decreased each year during the period considered. By the end of RIP, the production decreased by 11% compared to 2007 in line with the consumption trend. The detailed data is shown in Table 5:

Table 5

Total Union production

	2007	2008	2009	RIP
Volume (units)				
Production	13.813.966	13.541.244	12.778.305	12.267.037
Index (2007=100)	*100*	*98*	*93*	*89*

(67) Production capacity increased slightly by 2% between 2007 and the RIP. As production decreased, the resulting capacity utilisation showed an overall decrease of 13% between 2007 and the RIP, reaching an 81% capacity utilisation during the RIP. Detailed data is shown below:

Table 6

Production capacity and capacity utilisation

	2007	2008	2009	RIP
Volume (units)				
Production capacity	14.785.000	15.804.000	15.660.000	15.118.000
Index (2007=100)	*100*	*107*	*106*	*102*
Capacity utilisation	93%	86%	82%	81%
Index (2007=100)	*100*	*92*	*87*	*87*

(b) Sales volume

(68) The sales volume of the Union industry on the Union market to unrelated customers decreased by 13% between 2007 and the RIP. This development is in line with the general trend of decreasing consumption on the Union market. Detailed data is shown below:

Table 7

Sales to unrelated customers

	2007	2008	2009	RIP
Volume (units)	12.838.638	12.441.446	11.604.072	11.134.061
Index (2007=100)	*100*	*97*	*90*	*87*

(c) Market share

(69) The market share held by the Union industry slightly fluctuated between 2007 and the RIP. Overall, there has been a decrease of 1,3 percentage points during the period considered. Detailed data is shown below:

Table 8

Union market share

	2007	2008	2009	RIP
Union market share	56,0%	55,4%	56,4%	54,7%
Index (2007=100)	*100*	*99*	*101*	*98*

(d) Employment and productivity

(70) Employment decreased by 9% during the period considered from 14 925 employees in 2007 to 13 646 during the RIP.

(71) The productivity slightly increased in 2008 as compared to 2007, but then it declined. Overall, the productivity slightly decreased by 3% during the period considered. Detailed data is shown below:

Table 9

Total Union employment and productivity

	2007	2008	2009	RIP
Number of employees	14.925	14.197	14.147	13.646
Index (2007=100)	*100*	*95*	*95*	*91*
Productivity (units/year)	926	954	903	899
Index (2007=100)	*100*	*103*	*98*	*97*

(e) Growth

(72) Overall, it should be noted that the market share of all Union producers slightly decreased by 1,3 percentage points, while the level of consumption decreased by 11%, which indicates clearly that they have not been able to grow.

(f) Magnitude of dumping margin

(73) Dumping from the PRC continued during the RIP. As explained in recital (34), the dumping calculation is based on average prices from Eurostat due to the low cooperation from the Chinese exporters. As stated in recital (35), the average prices from Eurostat contains limited information concerning the product mix which is of significant importance for the calculation of the dumping margin; nevertheless, given the spare capacity from the PRC, the impact on the Union industry of the actual margins of dumping cannot be considered to be negligible.

(g) Recovery from past dumping

(74) It was analysed whether the Union industry recovered from the effects of past dumping. It was concluded that the expected recovery of the Union industry from the effects of past dumping has not happened to the extent anticipated as shown, in particular, by the persistently low profitability and a decrease in the capacity utilisation.

6.3. Micro-economic Indicators

(h) Stocks

(75) One producer could not provide consistent information regarding stocks for the period considered due to its current internal structure. Accordingly, data from this company had to be excluded when carrying out the analysis of stocks for the period considered.

(76) Stocks of bicycles increased over the analysis period from 880 935 units in 2007 to 1 091 516 units in the RIP, an increase of 24 %. Detailed data is shown below:

Table 10

Stocks

	2007	2008	2009	RIP
Volume (units)				
Closing stocks	880.935	1.132.612	818.276	1.091.516
Index (2007=100)	*100*	*129*	*93*	*124*

(i) Sales prices and costs

(77) Average ex-works sales price of the Union industry to unrelated customers in the Union followed a slightly increasing trend over the period considered. Overall, the Union industry increased its prices by 9% between 2007 and the RIP in line with the increase of the cost of production as explained in recital (79).

Table 11

Unit price Union market

	2007	2008	2009	RIP
Unit price of Union sales (EUR per unit)	163	170	176	178
Index (2007=100)	*100*	*104*	*108*	*109*

(78) The cost of production was calculated on the basis of the weighted average of all types of the like product produced by the sampled producers.

(79) The cost of production throughout the period increased by 9%. This increase is mainly due to a change in the mix of the products. Detailed data is shown below:

Table 12

Unit cost of production

	2007	2008	2009	RIP
Unit cost of production (EUR per unit)	165	169	180	180
Index (2007=100)	*100*	*102*	*109*	*109*

(80) After disclosure, one party alleged that the increasing cost of production took place against a background of significant reductions in some raw material costs, namely steel and aluminium, which would suggest that the injury suffered was self inflicted. However, this allegation was not substantiated by sufficient evidence. Indeed, the party provided only data showing, in very general terms, the price evolution of aluminium and steel during the period under consideration, but did not show to what extend these developments should have impacted the overall cost of production of bicycles. In addition, this argument was only raised after disclosure id est at an advanced stage of the proceeding and it was, therefore, not verifiable anymore. Therefore, the allegation was rejected.

(j) Profitability

(81) The overall profitability of the sampled producers in respect of the product concerned during the first year of the period considered was negative (-1,7%). In 2008, the Union producers became profitable. However, in 2009 and in the RIP, the industry was again loss making.

(82) The above trend indicates that the industry is in a fragile situation as compared to the previous investigation when the Union industry profitability was 3,6% during the RIP.

Table 13

Profitability

	2007	2008	2009	RIP
Profitability Union sales	-1,7%	0,6%	-2,2%	-1,1%
Index (2007=100)	*-100*	*33*	*- 129*	*- 68*

(83) After disclosure, it was alleged without providing, however, any supporting documentary evidence, that the Union industry had failed to improve its efficiency and performance. To the contrary, the investigation has shown that the Union industry has done evident efforts to adjust to the price pressure coming from dumped imports by relocating the production facilities within the Union and, thus, to increase cost effectiveness, as stated in recital (85) below. Therefore, these allegations have been rejected.

(k) Return on investment

(84) Investment in the business of the product concerned significantly decreased during the period considered, from EUR 21 491 000 in 2007 to EUR 11 738 000 during the RIP. This can be explained in large part by the economic crisis which began in 2008 and reached its deepest point during the RIP when access to new capital was ever more difficult and sales' forecasts were pessimistic.

(85) It should be noted that a sizeable part of investments has been done in order to increase the efficiency of the manufacturing process and keep up-to-date with the latest technologies. In this process, some of the production capacity has been shifted from Western European countries to Eastern European countries, expanding the production base over almost all Member States and showing the Union industry's vitality and efforts to remain competitive.

Table 14

Investments and Return on Investment

	2007	2008	2009	RIP
Investments (EUR '000)	21.491	21.743	10.701	11.738
Index (2007=100)	*100*	*101*	*50*	*55*
Return on investment	-16%	5%	-20%	-10%

(86) One producer was not able to provide consistent information on net production of fixed assets for the period considered for the calculation of the return on investment due to its internal structure. Accordingly, data from this company had to be excluded when carrying out the analysis of return on investment for the period considered.

(87) Return on investment followed the profitability trend. In 2007 the sampled Union producers registered a negative return on investment of 16% which slightly increased to a negative 10% during the RIP.

(l) Cash flow and ability to raise capital

(88) One producer was not able to provide consistent information on cash flow for the period considered due to its structure which made it impossible to estimate the cash flow for only a bicycle part out of its total activity. Accordingly, data from this company had to be excluded when carrying out the analysis of the cash flow for the period considered.

(89) The cash-flow, which is the ability of the industry to self-finance its activities, remained positive during the period under investigation. However, between 2007 and the RIP, it decreased by around 33%. Detailed data is shown below:

Table 15

Cash flow

	2007	2008	2009	RIP
Cash flow (EUR '000)	19.981	20.767	19.261	13.350
Index (2007=100)	*100*	*104*	*96*	*67*

(90) The sampled producers raise capital either internally when they belong to a group of companies or by bank loans. In other cases, cash flow generated by the company is used as a source of financing. None of the sampled producers have shown any significant difficulties to raise capital.

(m) Wages

(91) During the period considered, the wage cost per employee increased by 11%. This reflects a shift of production to slightly more sophisticated products.

Table 16

Wages

	2007	2008	2009	RIP
Wage cost per employee (in EUR)	20.239	20.880	22.499	22.541
Index (2007=100)	*100*	*103*	*111*	*111*

(92) After disclosure, it was alleged that the wage cost per employee was increasing while, at the same time, the demand slumped, which would indicate that the injury was self inflicted. Indeed, as shown in the table above, the wage cost per employee increased by 11 % during the period considered. However, as explained in recital (70), the number of employees decreased by 9 %. Consequently, the total wage cost increased by only 2%. Therefore, the overall impact on the profitability of the Union industry was found to be very small.

7. CONCLUSION ON INJURY

(93) The existing anti-dumping measures have clearly had an effect on the situation of the Union industry. Indeed, the latter has managed, to some extent, to benefit from the existence of the measures maintaining a stable market share. However, the Union production decreased and profit margin remained insufficient. Any possibility for further growth and profits has been undermined by the price and volume pressure of dumped imports.

(94) As shown in recital (53), volumes of imports from the PRC decreased between 2007 and the RIP. However, the biggest drop of the volume of imports was between 2008 and 2009 when the import prices from the PRC increased significantly. Nevertheless, as the investigation showed and as explained in recital (58), this increase in price was still not enough to allow the industry to improve its situation. Indeed, the imports from the PRC were undercutting the prices of the Union industry by 53%.

(95) The industry is clearly in a fragile situation, as it is loss making. Almost all injury indicators relating to the financial performance of the Union producers – such as profitability, return on investments and cash-flow – deteriorated during the period considered. Consequently, it cannot be concluded that the situation of the Union industry is secure. Moreover, this situation could have been further exacerbated by the pressure of the possibly circumventing imports.

(96) On this basis, it is concluded that the Union Industry, as a whole, remains in a vulnerable economic situation and has continued to suffer material injury within the meaning of Article 3 of the basic Regulation.

8. IMPACT OF DUMPED IMPORTS AND OTHER FACTORS

8.1. Impact of the dumped imports

(97) In parallel to the shrinking consumption in the Union, the market share of Chinese imports slightly decreased from 4,4% to 3,1% (see recital (53)). As mentioned in recital (58) above, based on a calculation excluding the anti-dumping duty, the Chinese imports undercut the Union industry prices by 53% during the RIP. It is recalled that the duty rate amounts to 48,5%. Consequently, the level of undercutting demonstrates on the one hand the effectiveness of the duties in place, and on the other hand the necessity to continue the measures. This conclusion is reinforced by the fact that the undercutting found was at the same level as in the last review investigation. Hence, the injurious price impact of dumped imports from the PRC on the Union industry remained significant and, as explained above in recitals (58), it is likely to continue.

8.2. Impact of the economic crisis

(98) Due to the negative economic conditions prevailing during the RIP, the consumption of bicycles decreased. Production and employment also decreased to follow the consumption trend. As the bicycle industry does not have high fixed costs, the decline in production did not have an impact on the profitability of the Union bicycles industry.

(99) After disclosure, it was alleged that the Union industry created additional production capacity when the Union consumption was declining which had a negative impact on the Union industry's situation. This statement is in contradiction with the development of consumption and capacity as described in recitals (52) and (67) above. Indeed, consumption mainly decreased between 2008 and 2009, while the production capacity had already increased one year before, namely in 2007 and 2008. Consequently, this allegation was rejected.

8.3. Imports from other countries

(100) As explained in recital (59), the volume of imports from other third countries decreased by 6% in line with the consumption trend. The market share of imports from other countries increased from 40% in 2007 to 42% in the RIP. Their average imports price had an increasing trend by 6% between 2007 and the RIP. The main countries from which the product concerned was imported were Taiwan, Thailand and Sri Lanka.

(101) The market share of imports from Taiwan slightly increased over the period considered (from 14% to 15%). However, the available information indicates that, as explained in recital (60), the imports from Taiwan are competing under fair conditions with the Union produced bicycles.

(102) The market share of imports from Thailand remained constant over the period considered. As explained in recital (61), the available information indicates that during the RIP these imports were sold at a competitive price with similar bicycles produced in the Union.

(103) Imports originating in Sri Lanka have increased by 92% during the period considered. Their market share during the RIP was 5%. However, as explained in recital (62), the imports from Sri Lanka are alleged to include Chinese origin bicycles.

(104) In conclusion, among the biggest exporters of bicycles to the Union, the imports from Taiwan and Thailand could not have a negative impact on the situation of the Union industry mainly because of their price levels (similar to or even higher than that of the Union industry prices). In contrast, it cannot be excluded that imports reported as originating from Sri Lanka are contributing to the injury suffered by the Union industry.

8.4. Circumvention

(105) It has been alleged with evidence that the Chinese exporters are continuously circumventing the measures through imports via several countries and these imports cause injury to the Union industry. Taking into account the evidence of circumvention discovered by the European Anti-Fraud Office ("OLAF") in the past, most specifically for imports via Philippines, it can not be excluded that such illegal behaviour still occurs on the market and that it causes injury to the Union industry.

E. LIKELIHOOD OF CONTINUATION OF INJURY

1. PRELIMINARY REMARKS

(106) As described in recitals (66) to (91), the imposition of anti-dumping measures allowed the Union industry to recover from the injury suffered, but only to some extent. During the period considered, the Union industry appeared in a fragile and vulnerable situation, still exposed to the injurious effect of the dumped imports from the PRC.

(107) In accordance with Article 11(2) of the basic Regulation, imports from the country concerned were assessed in order to establish if there was a likelihood of continuation of injury.

2. CHINESE EXPORT VOLUMES

(108) As mentioned in recital (40), the Chinese bicycles industry is export oriented. The Chinese bicycles are present on the main markets worldwide, particularly in the USA and Japan, where they have a dominant position. As mentioned in a previous investigation[15], at the end of the nineties, after a two-year absence from the US market following the imposition of anti-dumping duties, the Chinese exporting producers managed to significantly increase their presence on that market in a very short period of time. In 2009, the exports of Chinese bicycles to the USA were in the range of 14 055 000 units, out of a total consumption of 14 888 000 units.

(109) This situation shows that the Chinese producers are able to quickly export and penetrate new markets and to maintain a dominant position for a long period of time.

(110) After disclosure, one party claimed that should measures be allowed to lapse there would not be a substantial increase of imports of Chinese bicycles because Chinese

[15] OJ L 175, 14.7.2000, p. 49

exporters faced difficulties in complying with the European bicycle safety standards (EN 14764, EN 14765, EN 14766 and EN 14781). However, this allegation was not substantiated by any documentary evidence. To the contrary, the investigation has shown that a significant proportion of bicycles and bicycle parts are already imported from the PRC complying with the necessary safety standards. There was, therefore, no reason to believe that Chinese producers are not able to comply with the safety standards in force for bicycles. This claim was, therefore, rejected.

3. SPARE CAPACITY IN THE PRC MARKET

(111) As described in recital (41), data collected during the investigation showed that there is a significant spare capacity available in the PRC. Clear indications were found pointing to the conclusion that a large part of this spare capacity could be used to increase exports to the Union in the absence of anti-dumping measures. This is confirmed in particular because there are no indications that third country markets or the Chinese domestic market could absorb any additional production from the PRC.

(112) In addition, after disclosure, it was alleged that the increase of Chinese labour costs would severely restrict the increase of Chinese production capacity. In this regard, it is noted that as mentioned in recital (26), the cooperation of the Chinese exporting producers was very low and figures relating to labour cost and capacity in the PRC have not been provided. In addition, the party concerned did not submit any evidence to support its claim. Therefore, this claim had to be rejected

4. CIRCUMVENTION ALLEGATIONS

(113) As explained in recital (105), it has been alleged with evidence that the Chinese exporters are continuously circumventing the measures through imports via several countries. This is further confirmed by OLAF in the Philippines case. This type of behaviour shows the high interest of the Chinese exporters for the attractive Union market.

5. CONCLUSION

(114) The Union industry had been suffering from the effects of the Chinese dumped imports for several years and is still currently in a fragile economic situation.

(115) As shown above, the Union industry managed to recover from the Chinese dumping practice thanks to the anti-dumping measures in force. During the RIP, however, it found itself in a difficult economic situation. In this context, should the Union industry be exposed to increased volumes of dumped low priced imports from the country concerned, this would be likely to result in a further deterioration of its sales, market share, sales prices, as well as a further deterioration of its financial situation.

(116) In addition, as stated in recital (58) above, it was also found that the fact that the sales price of Chinese producers undercut those of the Union industry on average by 53% appears to indicate that in the absence of measures, Chinese exporting producers are likely to export the product concerned to the Union market at prices considerably lower than those of the Union industry.

(117) In view of the findings made during the investigation, namely the spare capacity in the PRC, the export oriented characteristic of the Chinese industry and the past behaviour

of the Chinese exporters on foreign markets, any repeal of the measures would point to a likelihood of continuation of injury.

(118) Finally, as referred to in recitals (105) and (113), the circumvention is strongly underpinning the conclusion of the likelihood of the continuation of injury. It constitutes clear evidence that the European market continues to be an attractive market for the Chinese producers who would likely direct higher volumes of exports into the Union in the absence of the anti-dumping measures.

F. UNION INTEREST

1. INTRODUCTION

(119) In accordance with Article 21 of the basic Regulation, it has been examined whether, despite the conclusion on injurious dumping, it could be clearly concluded that it would not be in the Union interest to maintain the anti-dumping measures against imports from the PRC.

(120) It should be recalled that, in the previous investigations, the adoption of measures was considered not to be against the interest of the Union. Furthermore, the fact that the present investigation is a review, thus analysing a situation in which anti-dumping measures have already been in place, allows the assessment of any undue negative impact on the parties concerned by the current anti-dumping measures.

(121) The determination of the Union interest was based on an appreciation of the various interests involved, i.e. those of the Union industry, importers and users.

2. INTEREST OF THE UNION INDUSTRY

(122) The Union bicycle industry has shown that it is viable and competitive if fair market conditions prevail. However, the investigation showed that the industry is still in a weak situation with a financial result close to break-even. Therefore, effective competitive conditions need to be maintained on the Union market.

(123) Furthermore, considering that new bicycle models are developed by the industry in the Union to a large extent, they would also fully benefit from such developments, in terms of sales volumes and prices, if the pressure of dumped imports is kept under control by measures.

(124) It is considered that the continuation of measures would benefit the Union industry which should then be able to maintain and possibly increase sales volumes and, probably, sales prices thereby generating the necessary return level which would enable it to continue to invest in new technology.

(125) By contrast, if measures on imports from the PRC were to lapse, further trade distortions are likely to occur, which would inevitably lead to a halt in the recovery process of the Union industry. Considering the spare production capacity of the PRC, the past behaviour of the Chinese exporters on foreign markets, it is clear that if measures were to lapse, it would be very difficult, if not impossible, for the Union industry to recover and even to maintain its position. Otherwise, the injurious situation of the Union industry is likely to further deteriorate, which may lead to a further reduction of production capacity in the Union and closure of several producing

companies. It is therefore concluded that anti-dumping measures are in the interest of the Union industry.

(126) In view of the conclusions on the situation of the Union industry as set out at recitals (93) to (96) above, and pursuant to the arguments relating to the analysis on the likelihood of continuation of injury as explained in recitals (106) to (117), it can also be considered that the Union industry would be likely to experience a serious deterioration of its financial situation in case the anti-dumping duties were allowed to expire.

3. INTEREST OF USERS

(127) The present investigation is supported by the European Cyclists' Federation (ECF), an umbrella federation of the national cyclists' associations in Europe.

(128) ECF argues that Europe is the most important market for modern cycling products with high standards in quality and safety and that an inflow of products from the PRC would lessen those standards. In addition, ECF states that there is an enormous potential for growth of the bicycles industry within the Union's economy, which would be jeopardised if anti-dumping duties are terminated.

(129) It is recalled that, in the previous investigations, it was found that the impact of the imposition of measures would not be significant for the users. Despite the existence of measures, importers/users in the Union were able to continue to source their supply, *inter alia*, from the PRC. No indications were brought forward whether there have been difficulties in finding other sources. It is therefore concluded that the maintenance of the anti-dumping measures is not likely to have a serious effect on users in the Union.

4. INTEREST OF SUPPLIERS

(130) The Association of the Bicycles Parts Producers (COLIPED) made itself known during the investigation. COLIPED argued that in the Union there are about 300 factories which are supplying components to the bicycle producers which employ about 7 300 people and that the further existence of the supplier industry was therefore inevitably depending on the continuation of the bicycles production in Europe. In this respect, it was found that without the existence of the measures, it is to be expected that further closures of bicycles production in Europe will occur, which would have negative consequences for the Union parts industry and would jeopardise employment in the supplier industry. It is therefore concluded that the imposition of anti-dumping measures would be in the interest of the suppliers.

5. INTEREST OF IMPORTERS

(131) Only one questionnaire reply was received from the unrelated importers concerning the imports from the PRC but this questionnaire was incomplete as the company was preparing to cease its operations for undisclosed reasons.

(132) It should be noted first of all that in view of the low level of cooperation of importers, it was impossible to make a proper full assessment of the possible effects of imposition or non-imposition of measures. It should also be recalled that the purpose of the anti-dumping measures is not to prevent imports, but to restore fair trade and

ensure that imports are not made at injuriously dumped prices. As fairly priced imports will still be allowed to enter into the Union market, and as imports from third countries will also continue, it is likely that the traditional business of importers will not be substantially affected. It is also clear that the Union producers have sufficient capacity to supply a possible increase in demand of bicycles. Moreover, as seen from table in recital (59), imports from other third countries indicate that there is a substantial capacity to produce bicycles in these countries. It is therefore highly unlikely that a shortage of bicycles would occur.

(133) As fairly-priced imports will still be allowed to enter into the Union market, it is likely that the traditional business of the importers will continue even if anti-dumping measures against dumped imports are maintained on the PRC. The low cooperation by unrelated importers and the fact that after the imposition of measures on the PRC, the investigation could not gather any evidence of importers experiencing particular difficulties, further underscores this conclusion.

6. CONCLUSION

(134) The continuation of measures on imports of bicycles originating in the PRC would clearly be in the interest of the Union industry, the consumers and in the interest of the Union suppliers of bicycle parts. It will allow the Union industry to grow and improve its situation in a restored fair competition. Furthermore, the importers will not be substantially affected since fairly priced bicycles will still be available in the market. In contrast, if measures are not imposed, Union producers of bicycles will likely go out of business, thus also threatening the existence of Union suppliers of bicycle parts.

(135) In view of the above, it is concluded that there are no compelling reasons not to impose antidumping duties against imports of bicycles originating in the PRC.

G. DEFINITIVE ANTI-DUMPING MEASURES

(136) In the light of the foregoing, the anti-dumping measures on bicycles should be maintained. In accordance with Article 11(2) of the basic Regulation the extension of the measures following an expiry review would normally apply for 5 years, unless there are specific grounds or circumstances which call for a shorter period of time.

(137) In this context, it should be noted that the present proceeding is characterised by particular circumstances as referred to in recitals (1) and (48), which should also be adequately reflected in the duration of the anti-dumping measures. In substance, the Union industry is benefiting from an atypical set of measures which combine both ad valorem duties on finished bicycles as well as an exemption scheme which allows this industry to use Chinese bicycle parts free of anti-circumvention duties provided that specific conditions are met.

(138) The current expiry review has confirmed the complexity of the bicycle sector and its close interconnection with the sector of bicycle parts. It showed that the Union industry of bicycles is using to a large extent, as shown in recital (1), the exemption scheme for imports of bicycle parts. It is therefore important that the functioning of the measures is regularly re-examined. On these grounds, consideration was given to whether the measures should be limited to 3 years.

(139) After disclosure, several Union producers and their associations argued that measures should be extended for 5 years. The parties mainly argued that the bicycle producers were ready to make investments in the production of bicycle parts in order to reduce their dependence on imports of Chinese bicycle parts, but a period of 3 years was not sufficient to obtain a positive return on such investments.

(140) In this respect, the argument that several parties have made or intend to make investments in the bicycles or the bicycle parts sector is not relevant when assessing the need and the duration of anti-dumping measures in the context of an expiry review. Indeed, the latter can only be based on the determination that the expiry of the measures would be likely to lead to the continuation or recurrence of dumping and injury.

(141) As already explained in recital (137) above, it is recalled that since the initial imposition of measures in 1993 and their extension to bicycle parts in 1997, the situation of bicycles production in the Union changed significantly as more than 250 exemptions have been granted. Furthermore, measures on bicycles are directly linked to the measures extended to bicycle parts and to the exemption scheme system created. In view of this, the conclusion that the measures would warrant reexamination as established above on recital (138) still applies. In this respect, the Council notes that the Commission has the possibility to initiate *ex officio* an interim review covering dumping, injury as well as the exemption scheme aspects pursuant to Article 11(3) of the basic Regulation.

(142) On these grounds and in view of the fact that the period of measures would be, in any event, an issue in any review it is premature to assess in the framework of the current expiry review whether there are specific grounds or circumstances which call for a period of time different from the normal period of 5 years as specified in Article 11(2) of the basic Regulation. It is considered, therefore, that the measures should be prolonged for a period of 5 years. This is without prejudice to the fact that the duration of the current anti-dumping measures may be revisited in a subsequent full interim review, if any, depending on the findings

H. FINAL PROVISIONS

(143) 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.

It follows from the above that the anti-dumping duties should be maintained for 5 years.

HAS ADOPTED THIS REGULATION:

Article 1

1. A definitive anti-dumping duty is hereby imposed on imports of bicycles and other cycles (including delivery tricycles, but excluding unicycles), not motorised, currently falling within CN codes ex 8712 00 10 (TARIC code 8712 00 10 90), 8712 00 30 and ex 8712 00 80 (TARIC code 8712 00 80 90) 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, for the products described in paragraph 1 shall be 48,5%.

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*. It shall be in force for a period of 5 years.

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

Done at Brussels,

For the Council
The President