Defence Committee of the Stainless steel butt-welding Fittings industry of the European Union Comité de Défense de l'industrie des Raccords en Acier Inoxydable à souder bout-à-bout de l'Union Européenne

Open Version

Application

under Article 11(2) of the Basic Regulation for the initiation of an expiry review

concerning

certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan

Submitted by ADVANT – Nctm Association d'avocats on behalf of Defence Committee of the Stainless steel butt-welding Fittings industry of the European Union

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A. GENERAL INFORMATION

A.1. THE APPLICATION

A.1.1. Purpose and legal basis of the application

- 1. The purpose of the application is to request the European Commission to initiate an expiry review concerning the existing anti-dumping measures on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan.¹ The Applicant submits that the expiry of the existing measures would be likely to lead to a continuation of dumping and injury.
- 2. The application is made pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union (the 'Basic Regulation') concerning the existing anti-dumping measures on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan.

A.1.2. Existing measures

- 3. The existing measures have been imposed by Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 imposing definitive anti-dumping duties on imports of certain stainless steel tube and pipe butt- welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan.²
- 4. The operative part of this regulation provides the following:

Article 1

1. A definitive anti-dumping duty is imposed on imports of tube and pipe buttwelding fittings, of austenitic stainless steel grades, corresponding to AISI types 304, 304L, 316, 316L, 316Ti, 321 and 321H and their equivalent in the other norms, with a greatest external diameter not exceeding 406,4 mm and a wall thickness of 16 mm or less, with a roughness average (Ra) of the surface finish not less than 0,8 micrometres, not flanged, whether or not finished, originating in the PRC and Taiwan. The product falls under CN codes ex 7307 23 10 and ex 7307 23 90 (Taric codes 7307231015, 7307231025, 7307239015, 7307239025)..

2. The rates of the definitive anti-dumping duty applicable to the product described in paragraph 1 and produced by the companies listed below shall be as follows:

¹ Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 imposing definitive anti-dumping duties on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan (OJ L 22, 27.1.2017, p. 14).

	Definitive anti-	TARIC
Company	dumping duty rate	additional
	(%)	code
Taiwan		
King Lai Hygienic Materials Co., Ltd	0,0	C175
Ta Chen Stainless Pipes Co., Ltd	5,1	C176
All other companies	12,1	C999
The People's Republic	c of China	
Zhejiang Good Fittings Co., Ltd	55,3	C177
Zhejiang Jndia Pipeline Industry Co., Ltd	48,9	C178
Suzhou Yuli Pipeline Industry Co., Ltd	30,7	C179
Jiangsu Judd Pipeline Industry Co., Ltd	30,7	C180
All other cooperating of	companies:	
ALFA Laval Flow Equipment (Kunshan) Co., Ltd	41,9	C182
Kunshan Kinglai Hygienic Materials Co., Ltd	41,9	C184
Wifang Huoda Pipe Fittings Manufacture Co., Ltd	41,9	C186
Yada Piping Solutions Co., Ltd	41,9	C187
Jiangsu Huayang Metal Pipes Co., Ltd	41,9	C188
All other companies	64,9	C999

A.2. THE APPLICANT

- 5. The present Application is lodged by the Defence Committee of the stainless steel buttwelding fittings industry of the European Union ('the Applicant'), a professional association representing a major proportion of stainless steel tube and pipe fittings producers in the European Union.
- 6. The Applicant is represented by its Chairman, [Sensitive]:
 [Sensitive]
 [Sensitive]
 [Sensitive]
 Phone : [Sensitive]
- 7. The Applicant is legally represented by Nctm Association d'Avocats. The Power of Attorney are attached as <u>Annex 00</u>.

A.2.1. The Union producers represented by the Applicant

- 8. The Applicant represents the following three European Union (EU) producers established or having production facilities in four Member States: Austria, Finland, Poland and Sweden.
 - ERNE Fittings with production in Austria
 - ROHRBOGEN with production in Poland
 - Outokumpu Stainless Tubular Products (OSTP) with production in Finland and Sweden

9. The list and the contact details of the Union producers represented by the Applicant is attached in <u>Annex 01</u>.

A.2.2. The Union industry and the Representativeness of the Applicant

- Besides the three producers represented by the Applicant, other Union producers are well-known by the Applicants and th their production could be estimated with precision: Inoxtec, Raccortubi/Tecninox and Steelcom. These three well-known other producers have a combined production that represents between [Sensitive: 20 30]% of the Union production ([Sensitive: 20 30]% during the IP).
- 11. To complete the picture, the Union industry is further composed of several smaller producers which have been identified and their production estimated. These other EU producers are: BLS, Filmag, KM Rustfri, Proform, Raccorderie Metalliche, TTA, Wschulz. Their combined production represents between [*Sensitive: 10 20*]% of the Union production ([*Sensitive: 10 20*]%during the IP).
- 12. The list and the contact details of other Union producers known but not represented by the Applicant is attached in <u>Annex 02</u>.
- 13. The Union producers represented by the Applicant represented [*Sensitive: 50 65*]% of the total Union production of SSTPFs in the EU during the IP.
- 14. The standing calculation is available in <u>SENSITIVE Annex C 01</u> and summarised in nonconfidential version in <u>OPEN Annex D - 01</u>.

A.3. THE PRODUCT CONCERNED

A.3.1. Description

- 15. The product concerned is certain Stainless Steel Tubes and Pipes Butt-Welding Fittings (also called "Butt-Weld" and hereby called "SSTPFs"), whether finished or unfinished. It covers all types of stainless steel butt-welding fittings, which have the following physical and technical characteristics:
 - Size range: up to including 406,4 mm (16") for their largest outside diameter, and up to including 16 mm (0,63") in wall thickness
 - Steel grades: austenitic stainless steel grades used for corrosion-resistant applications, being (according to AISI) WP 304, 304L, 316, 316L, 316Ti, 321 and 321H and their equivalent in the other norms
 - Norms: all norms corresponding to corrosion-resistant applications, including hygienic, pharmaceutical and alimentary ones
- 16. A detailed description of SSTPF is given in <u>Annex 03 1</u> and <u>Annex 03 2</u>.

17. SSTPF coverage is determined in combining the above product description and the product description of the corresponding following CN codes taken together.

A.3.2. Customs classification

- 18. The Product concerned is classifiable under HS-6 code 7307 23 "Tube or pipe fittings, of stainless steel, Butt welding fittings", corresponding to the following CN-8 codes:
 - ex 7307 23 10 Butt welding fittings Elbows and bends
 - ex 7307 23 90 Butt welding fittings Other
- Although SSTPF represent the vast majority of the content of the 2 above-mentioned CN-8 codes, these may contain products not included in the current scope due to their size range or steel grades.
- 20. Since the investigation that led to the imposition of the original measures in AD-622, four TARIC codes were created to identify the product concerned more precisely in the customs statistics : 7307 23 10 15, 7307 23 10 25, 7307 23 90 15 and 7307 23 90 25.
- 21. Extracts of the Combined Nomenclature and the Integrated EU Customs Tariff Database (TARIC) is provided in <u>Annex 04</u>.

A.3.3. Manufacturing process

- 22. SSTPF are manufactured essentially by cutting and forming tubes and pipes. They are used to join tubes and pipes of same stainless steel and come in different shapes and types of which the most frequent are elbows also called bends, reducers, tees and caps, as well as in different sizes and material grades (see <u>Annex 03 1</u> and <u>Annex 03 2</u>). Other less frequent types such as crosses, unions, stub ends and press collars also belong to the product concerned.
- 23. The different methods and raw materials used are detailed in <u>LIMITED Annex C 03</u> with 1st page shown in <u>OPEN Annex D 03</u>. The usual raw materials for SSTPF limited in outside diameter to 16" are:
 - Seamless pipes or forgings
 - Submerged arc welded pipes
 - High frequency welded pipes
- 24. Elbows are mostly obtained through many different processes (list not exhaustive)
 - By Hot forming through
 - Forging
 - Inductive bending
 - Over Mandrel
 - Two-shell process
 - By Cold forming with
 - Fixed mandrel method
 - Packing method
 - Floating mandrel method

- EPC method
- 25. Other types than elbows (also called Accessories) can also be obtained by hot or cold forming.

A.3.4. Main specifications and norms used

- 26. Before the implementation of the Euronorms, for SSTPF mostly used in the petrochemical and power generation industries, the most usual global standards were the international ANSI ASTM SA 403/SA 403M and ASME B16.9 standards (see <u>SENSITIVE Annexes C 04</u> <u>and 05</u> with 1st page shown in <u>OPEN Annexes D 04 and 05</u> since these documents are sold under a copyright license or against fee).
- 27. The corresponding most common European standards used in the Community were the German standard DIN 2609 (see <u>SENSITIVE Annex C 06</u> with 1st page shown in <u>OPEN</u> <u>Annex – D – 06</u>), and corresponding other DIN norms by type (see <u>Annex 03 – 1</u> and <u>Annex</u> <u>03 – 2</u>).
- 28. Since their definition, Euronorms are quite frequently used :
 - EN 10253-3 Without specific inspection requirements identical but without the specific part of inspection requirements to EN 10253-4
 - EN 10253-4 With specific inspection requirements which is mostly used (see <u>SENSITIVE Annex – C – 07</u> with 1st page shown in <u>OPEN Annex – D – 07</u>.
- 29. Other norms are also used in EU for specific use, such as
 - BS 4825 for food specifications (see <u>Annex 05</u> for sizes and grades)
 - DIN 11852 for food specification (see <u>Annex 06</u> for sizes and grades)
 - DIN 2405 for corrosion applications(see <u>Annex 07</u> for sizes and grades)
- 30. A more extensive list of norms used is shown in <u>Annex 03 1</u> including specific norms used in the hygienic, pharmaceutical, food and dairy industries.
- 31. There is a limited number of popular grades, with different designations according to the norms. To facilitate the identification of a grade under its various designations according to the norms, the table provided in <u>Annex 03 1</u> is quite clear, although the exact designation may slightly vary according to the norm and its version. Actually the most popular grades used are 304L and 316L and their equivalent in EN norms.
- 32. A summary of the chemical composition of the stainless steel grades of the product concerned are shown in <u>Annex 08</u>, also commented in an extract of the Mechanical Engineering Guide Book in <u>Annex 08 Bis</u>.
- 33. Explanations on dimensions expressed in NPS, DN, Schedules and mm are given in <u>Annex</u> <u>– 08 Ter</u>.

34. All SSTPF have the same basic physical and technical characteristics, with only the final stage of production determining the shape which is produced. The shape of the SSTPF does not determine the use to which it is put. Therefore, they are to be regarded for the purposes of this investigation as a single product.

A.3.5. Main applications

35. SSTPF are used mainly in the petro-chemical industry, construction, energy generation, shipbuilding and industrial installations, as well as for hygienic, pharmaceutical, food, dairy and beverage industries, whenever corrosion resistant steel is needed.

A.3.6. Like product produced on the domestic market

36. The Product Concerned exported from CHINA and TAIWAN to the European Union, the product produced and sold on the domestic markets of these countries or the representative third country as well as the product produced and sold in the EU by the EU producers all have the same basic physical, technical and chemical characteristics as well as the same uses and can therefore be considered as like products within the meaning of Article 1(4) of the basic Regulation.

A.3.7. Differences in production process in the EU and in China

37. All major EU producers, exporting producers in China, in Taiwan and any representative third country use essentially the same production process and similar machinery as the ones described in Section A.3.3. above.

A.3.8. Country of origin, importers and users

38. The measures currently in force are against China and Taiwan. A list of producers/exporters known to be concerned in China is attached as <u>SENSITIVE Annex C – 08 - CN</u> and <u>Annex C – 08 - TW</u>.

B. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF DUMPING

B.1. THE CASE OF CHINA

B.1.1. Normal value

- 39. According to Article 2(1) of the basic Regulation, 'the normal value shall normally be based on the prices paid or payable, in the ordinary course of trade, by independent customers in the exporting country'.
- 40. However, according to Article 2(6a)(a) of the basic Regulation, '(i)n case it is determined [...] that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions within the meaning of point (b),

the normal value shall be constructed exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks', and 'shall include an undistorted and reasonable amount of administrative, selling and general costs and for profits'. The Applicant considers the application of Article 2(6a) of the basic Regulation is appropriate.

B.1.1.1. Existence of significant distortions

- a) Introduction
- 41. Article 2(6a)(b) of the basic Regulation defines 'significant distortions are those distortions which occur when reported prices or costs, including the costs of raw materials and energy, are not the result of free market forces as they are affected by substantial government intervention. In assessing the existence of significant distortions regard shall be had, inter alia, to the potential impact of one or more of the following elements:
 - the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country;
 - state presence in firms allowing the state to interfere with respect to prices or costs;
 - public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces;
 - the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws;
 - wage costs being distorted;
 - access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state'.
- 42. Article 2(6a)(c) of the basic Regulation provides that '[w]here the Commission has wellfounded indications of the possible existence of significant distortions as referred to in point (b) in a certain country or a certain sector in that country, and where appropriate for the effective application of this Regulation, the Commission shall produce, make public and regularly update a report describing the market circumstances referred to in point (b) in that country or sector'.
- 43. Pursuant to this provision, the Commission has issued a country report concerning the PRC (hereinafter 'the Report')³, showing the existence of substantial government intervention at many levels of the economy, including specific distortions in many key factors of production (such as land, energy, capital, raw materials and labour) as well as in specific sectors (such as steel and chemicals).

³ Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 20 December 2017, SWD(2017) 483 final/2.

- 44. In particular, the Applicant refers to practices affecting the costs and prices in the steel sector in China:
 - the Chinese stainless steel market is to a significant extent served by enterprises which operate under the ownership, control and policy supervision of the GOC;
 - the costs of raw materials and energy in the PRC are not the result of free market forces as they are affected by substantial government intervention, including policies favouring domestic suppliers;
 - there is still a lack of adequate enforcement of bankruptcy laws, corporate or property laws in the PRC;
 - wage costs are distorted since they do not result from normal market forces or negotiation between companies and the work force;
 - stainless steel companies have access to finance granted by institutions which implement public policy objectives or otherwise are not acting independently from the State.
- 45. <u>Annex 13</u> shows that the market for tube and pipe fittings in China is subject to significant distortions within the meaning of Article 2(6a)(b) of the basic Regulation. This annex cites the Commission China Report, the European Chamber of Commerce in China, Steel Overcapacity, Government and Communist Party control of the market and the five-year plans for steel.

Conclusion on significant distortions

46. The SSTPF industry in China is heavily distorted by its belonging to the steel sector. This justifies the use of Article 2(6a) of the basic Regulation in relation to the product concerned. It is therefore necessary to determine normal value (NV) based on the costs of production in a third country operating as a market economy and that could adequately be representative of China.

B.1.1.2. Choice of a representative country

- 47. Where there are significant distortions in a market Article 2(6a) of the basic Regulation provides that the normal value must be construction on the basis of publicly available data in a representative country. The choice of the representative country is based on the following criteria:
 - A level of economic development similar to the PRC. For this purpose, the Commission used countries with a gross national income similar to the PRC on the basis of the database of the World Bank;
 - Production of the product under investigation in that country;

- Availability of relevant public data in that country;
- Where there is more than one possible representative country, preference was given, where appropriate, to the country with an adequate level of social and environmental protection.
- 48. 54 countries are regarded by the World Bank as countries with a similar level of economic development as the People's Republic of China (PRC), i.e. they are all classified as '*upper-middle income*' countries on a gross national income basis.⁴
- 49. The Applicant excluded several countries as being unsuitable because of absence of sizeable population, such as the Maldives, Mauritius or Saint-Vincent and the Grenadines. Five countries are not members of the WTO. EU Member States such as Bulgaria and Romania have been excluded too. Several countries were considered unsuitable due to severe distortions that could jeopardise the construction of a normal value: Iran due to its dual exchange rate policy, Russia due to its dual pricing for natural gas, Venezuela for the distortions in oil intensive industries.
- 50. The Applicant also excluded countries in which, to the best of its knowledge, no sizable production of SSTPFs takes place, e.g. Argentina, Colombia, Ecuador, Peru, Serbia, South Africa, Venezuela.
- 51. On this basis the Applicant short listed four countries with a known production of SSTPFs: Malaysia, Indonesia, Thailand and Turkey. All these countries have an industry that exports at least 500 tonnes od SSTPFs a year. See <u>Annexes 10, 11 and 12</u>.
- 52. Among these four countries, Thailand was selected on the basis of the availability of relevant public data, such as official import statistics, energy prices and known producers with published accounts.
- 53. The Applicant considers that Thailand meets all the criteria laid down in Article 2(6a)(a), first indent of the basic Regulation in order to be considered as an appropriate representative country. In particular, in addition to having a level of economic development similar to the PRC, Thailand has a substantial production of the product under investigation and a complete set of data available for the factors of production, SG&A and profit during the investigation period.

B.1.1.3. Methodology to establish undistorted costs and benchmarks

54. The Applicant considered with producers that have production sites in several countries, both within and outside the EU, that SSTPF production processes are identical in all

⁴ World Bank Open Data, Upper Middle Income, available at <u>https://data.worldbank.org/income-level/upper-middle-income</u> (last viewed 15 October 2021).

countries and that there are no significant differences between the production processes in China, in the potential representative countries and in the EU.

- 55. The Applicant notes that the Commission previously confirmed that SSTPFs exported from China and SSTPFs produced and sold in the Union by the Union Industry have the same basic physical and chemical characteristics as well as the same basic uses and concluded that these products are like products within the meaning of Article 1(4) of the basic Regulation.⁵ The Applicant considers that the like product in the chosen representative thrid country is also alike.
- 56. SSTPFs can take various forms such as elbows, tees, reducers, caps, etc. In terms of volume produced and sold, elbows are the most representative type of SSTPFs as it represents the bulk of the product sold on the Union market.
- 57. On this basis, the Applicant collected from Union producers data on the consumption of inputs required to produce elbows from ½ inch to 16 inches and established a list of factors of production (raw materials, energy, labour, etc.) needed in the production process.
- 58. The Complainant subsequently retreived the inputs cost in the representative country of undistorted prices for each factor of production from open sources. Certain production factors for which no public data was available were estimated on the basis of information available on the Union market.
- 59. By combining factors of production and cost obtained in the reprensentative third country, the Applicant could construct a normal value for the like product sold in China in accordance with Article 2(6a) of the Basic Regulation.

B.1.1.4. Factors of production

- 60. On the basis of information collected from Union producers, the Applicant established a list of factors of production ('FOP') for SSTPFs and the quantity of each factor needed to produce one metric tonne. See [SENSITIVE: Annex by nature confidential. Non-confidential summary provided below in the text].
- 61. The main factors of production are: raw materials ('mother pipes'), by-products, energy and utilities, direct labour, packaging and other direct costs.

FACTORS OF PRODUC	CTION	Unit	Quantity consumed (produced) per tonne
DIRECT COSTS			
Direct raw material	Mother Pipes of stainless steel	MT	[1.1 - 1.4]
By-product/waste	Stainless steel scrap	MT	[0.1 - 0.4]

⁵ see recital 73 of Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 imposing definitive antidumping duties on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan (OJ L 22, 27.1.2017, p. 14–53)

	Electricity	kWh	[1000 – 1500]
	Natural Gas	kWh	[1500 – 2000]
Energy and utilities	Water	m³	[3 – 5]
	Compressed air and other (oxygen, azote, acetylene)	€	[50 – 150]
	Elbow pressing	hours	[15 – 20]
Direct labour	Temporary workers	hours	[0 – 5]
	Machining, cutting and others	hours	[0-5]
Packaging Wooden pallets and carton boxes + packing labour		€	[50 – 150]
	Mandrel, Pressing Tool	€	[Sensitive]
	Consumables	€	[Sensitive]
	Subcontracting	€	[Sensitive]
Other direct cast	Maintenance	€	[Sensitive]
Other direct cost	Depreciation	€	[Sensitive]
	Rent/Leasing	€	[Sensitive]
	Cleaning	€	[Sensitive]
	Other (chemicals, laser servicing)	€	[Sensitive]

62. Indirect production costs in the form of factory overheads (depreciation, maintenance, tooling, etc.) has also been collected as follows:

FACTORY OVERHEADS	€ per tonne produced	% of total cost of
Depreciation	[Sensitive]	2.1%
Maintenance	[Sensitive]	0.8%
Tooling	[Sensitive]	2.2%
Indirect labour (techn. engineers and others)	[Sensitive]	12.5%
Indirect energy and utilities	[Sensitive]	0.0%
Overhead from operations (excl. SGA costs)	[Sensitive]	0.0%
Other expenses and expenditures	[Sensitive]	4.8%

63. The quantity of each factor needed to produce 1 metric tonne is based on a weighted average of data collected from EU producers. The calculations can be found in <u>(SENSITIVE</u> <u>Annex by nature confidential. Non-confidential summary provided below in the text in the form of ranges]</u>.

B.1.1.5. Costs of production in the representative country

- 64. Public price/cost information is available in the representative country for: (i) raw materials, (ii) electricity and utilities, (iii) labour costs, and for (iv) SG&A, and (v) profitability.
- 65. No public price/cost information is available in the reference country for (i) packaging, (ii) other direct costs, (iii) production equipment, and (iv) factory overheads. To the extent that these costs do not come within SG&A, they have been estimated on the basis of costs gathered among TPF producers in the EU.

B.1.1.6. Raw materials

- 66. The raw materials to produce TPF are pipes of stainless steel, known as 'mother pipes', than can be seamless or welded. In general terms, elbows of stainless steel are made for a majority ot them from welded pipes while a minority is made from seamless pipes.
- 67. Based on the complaint FOP for TPF, the production of 1 metric tonne of TPF requires [Sensitive : 1.1 1.4] metric tonnes of mother pipe. It is assumed that the same ratio applies in China and in the representative country.
- 68. The unit cost of raw materials in the representative country has been established on the basis of import statistics for the following raw materials:

Type of pipe	HS-6 code	HS-6 description
Welded pipe of	730611	Line pipe of a kind used for oil or gas pipelines : Welded,
stainless steel		of stainless steel
Seamless pipe of	730411	Tubes, pipes and hollow profiles, seamless, of iron (other
stainless steel		than cast iron) or steel : Line pipe of a kind used for oil or
		gas pipelines : Of stainless steel

- 69. To establish to cost of raw materials in the representative third country, imports from all origins excluding China were considered, and the average import price was calculated.
- 70. Imports of stainless steel pipes from China were excluded due to the existence of significant market distortions in the stainless steel sector in China which would distort the average price of the raw materials in the representative country. The Applicant notes that the EU has currently in force anti-dumping and anti-subsidy measures on various stainless steel products originating in China, including seamless steel pipes.⁶
- 71. The Applicant calculated the cost of the main steel raw material in on the basis of import statistics from the Thai Government's Department of Statistics (DOSM).⁷ Statistics were readily available from July 2020 to June 2021.
- 72. After excluding imports from China and a statistical anomaly from Japan in May 2021 on 730611, the average price of mother pipes imported in Thailand was as follows:
 - Welded pipes: 4 118.3 €/tonne
 - Seamless pipes: 7 690.7 €/tonne
 - Weighted average for welded and seamless pipes: 5 369.6 €/tonne

Please see <u>Annex C – DM – 02 CN</u> (tab 'Costs in TH').

⁶ Commission Implementing Regulation (EU) 2018/330 of 5 March 2018 imposing a definitive anti-dumping duty on imports of certain seamless pipes and tubes of stainless steel originating in the People's Republic of China (OJ L 63, 6.3.2018, p. 15–43)

⁷ Thai Customs Department, accessible at <u>http://www.customs.go.th/</u> (last consulted 13 October 2021).

B.1.1.7. By-products and waste

- 73. The production of 1 MT of TPF generates approximately [*Sensitive* : 0.1 0.4] MT of steel scrap as a by-product. Steel scrap has a value on the market and has therefore been deducted from the constructed normal value.
- 74. To estimate the value of steel scrap in the representative country, the Applicant retrieved export statistics for the HS code 7204 21 '*Ferrous waste and scrap; remelting scrap ingots of iron or steel : Waste and scrap of alloy steel : Of stainless steel*' from the United Nations COMTRADE data base.⁸
- 75. In Thailand, the value of stainless steel scrap was established at 965,5 EUR/MT. This value will therefore be deducted from cost of production in constructing the normal value. Please see <u>Annex C DM 02 CN</u>.

B.1.1.8. Energy and utilities

76. The costs of energy are established based on publicly available electricity prices, natural gas prices, fuel and water prices for industrial users in the representative country.

Electricity

- 77. On the basis of the FOP collected from EU producers, the production of 1 MT of TPF requires [*Sensitive : 1000 1500*] kWh of electricity.
- 78. In Thailand, the cost of electricity has been established on the basis of the World Bank 'Doing Business' study dated 2020.⁹ The average cost of electricity for businesses was established at 13.7 U.S. cent per kilowatt-hour, which is equivalent to 0,1151 EUR/kWh.

Natural gas

- 79. On the basis of FOP collected from EU producers, the production of 1 MT of TPF requires [Sensitive : 1500 2000] kWh of natural gas.
- 80. In Thailand, in the absence of prices published by the Energy Policy and Planning Office, the Applicant calculated the cost of natural gas on the basis of import statistics of HS-code 2711 11 retrieved on the UN COMTRADE database¹⁰ which ultimately originate from the Department of Statistics (DOSM).¹¹ Statistics were readily available for 2020 but not for the first half of 2021.

⁸ United Nations, Statistics Division, UN Comtrade, accessible at <u>https://comtrade.un.org/</u> (last consulted 12 October 2021).

⁹ World Bank, Doing Business 2020, Country profile Thailand, pp.16-20, available at <u>https://www.doingbusiness.org/content/dam/doingBusiness/country/t/thailand/THA.pdf</u>

¹⁰ United Nations, Statistics Division, UN Comtrade, accessible at <u>https://comtrade.un.org/</u> (last consulted 12 October 2021).

¹¹ Thai Customs Department, accessible at <u>http://www.customs.go.th/</u> (last consulted 13 October 2021).

81. The calculations resulted in a price of 0.0232 EUR/kWh for gas in 2020, details are provided in <u>Annex C – DM – 02 CN</u>.

Water

- 82. On the basis of the FOP collected among EU producers, the production of 1 MT of SSTPF requires [*Sensitive : 3 5*] cubic meters of water.
- 83. In Thailand, the price of water for industrial use is obtained from the Provincial Waterworks Authority¹². For large businesses, the water for industrial use is priced between 18.25 and 32.50 Baht/m³, depending on the monthly volume consumed. A simple average of 25,38 Baht/m³ has been converted in 0,691 EUR/m³.

B.1.1.9. Direct labour costs

- 84. The Applicant established the quantity of direct labour required to produce 1 MT of TPFs in the EU at [*Sensitive : 18 24*] hours.
- 85. In Thailand, the cost of labour related to manufacturing is obtained from data of ILO Statistical database, notably the mean nominal monthly earnings of employees by sex and economic activity (ISIC-Rev.4: C. Manufacturing) for 2019 in Thailand.¹³ With a mean nominal monthly wage of 14 595.6 Baht in the manufacturing sector, considering 4 weeks of 40 hours each, the hourly wage in Thailand equals 91.22 Baht/hour which corresponds to 2.48 EUR/hour.

B.1.1.10. Packaging costs

- 86. SSTPFs are mostly packaged in carton boxes and placed on wooden pallets for transport. The FOP table shows that the production of 1 metric tonne of TPFs generates [Sensitive]
 € of packing coast (materials and labour). This amount represents 0.7% of the total cost of production.
- 87. No publicly available information could be obtained for packaging materials in the representative country.
- 88. The packaging costs are therefore constructed by calculating 0.7% of the total cost of production.

B.1.1.11. Other direct costs

89. Other direct costs are incurred for the production of TPFs. Based on information collected from Union producers, the following other direct costs were identified.

¹² Thai Provincial Waterworks Authority Available at <u>https://en.pwa.co.th/contents/service/table-price</u>

¹³ ILO, ILOSTAT, Statistics on wages available at <u>https://ilostat.ilo.org/topics/wages/</u>; Mean nominal monthly earnings of employees by sex and economic activity (ISIC-Rev.4: C. Manufacturing)

Other direct cost :	Unit	Value per tonne produced	% of total COP
Mandrel, Pressing Tool	€	[Sensitive]	1.2%
Consumables	€	[Sensitive]	2.3%
Subcontracting	€	[Sensitive]	0.9%
Maintenance	€	[Sensitive]	2.7%
Depreciation	€	[Sensitive]	1.2%
Rent/Leasing	€	[Sensitive]	0.7%
Cleaning	€	[Sensitive]	0.0%
Other (chemicals, laser servicing)	€	[Sensitive]	0.0%

90. The Applicant took the other direct costs into account but could hardly find the costs in the representative country. Therefore a amount based on the percentage these costs represent of the total cost of porudction in the EU. Other direct costs account for 9% of the total cost of manufacturing.

B.1.1.12. Factory overheads

91. Factory overheads are fixed costs incurred by producers to operate SSTPF production facilities. Factory overheads exclude selling, general and administrative expenses (cf. next section). Factory overheads in the FOP table are based on information collected from Union producers.

Factory overheads	Unit	Value per tonne produced	% of total COP
Depreciation	€	[Sensitive]	2.1%
Maintenance	€	[Sensitive]	0.8%
Tooling	€	[Sensitive]	2.2%
Indirect labour (techn., R&D engineers, excl. SGA)	€	[Sensitive]	12.5%
Indirect energy and utilities	€	[Sensitive]	0.0%
Overhead from operations (excl. SGA costs)	€	[Sensitive]	0.0%
Other expenses and expenditures	€	[Sensitive]	4.8%
TOTAL FACTORY OVERHEADS	€	[Sensitive]	22.6%

92. The Applicant estimated factory overheads in the representative country by calculating the value of each item as a percentage of the total cost of manufacturing in the EU. In the EU, the total reveals that factory overheads account for 22.6% of the total cost of manufacturing.

B.1.1.13. Selling, General and Administrative expenses and profit

- 93. The Applicant identified 4 producers of SSTPFs in Thailand and retrieved their financial statements in order to determine a reasonable level of SG&A and profit a SSTPFs could expect in a representative third country. See <u>OPEN Annexes 20.1 to 20.4</u>
 - TTU Industrial Co., Ltd. : No financial statement available for 2020 and was loss making in 2019 (-21%)

- Thai Benkan Co., Ltd. : That company has financial statement available for 2020 and registered 12.9% SG&A and 1% profit
- Awaji Material Thailand Co., Ltd.: This producer was loss-making in 2020 (-8.3%).
- Thairungrueng Fitting & Value Co., Ltd.: This producer registered for 2020 18.4% SG&A and 0.1% profit.

It results from the above that Thai Benkan Co. is the most appropriate company to select as a benchmark for SG&A and profit. 12.9% SG&A and 1% profit were therefore applied in the constructed normal value.

B.1.1.14. Constucted normal value

- 94. On the basis of the factors of production and the costs collected in the representative third country, the Applicant has constructed the normal value of SSTPFs originating in China.
- 95. As noted above, elbows can be made either from welded pipe or from seamless pipes. Since the price difference between these types of mother pipes was significnat, the Applicant differentiated in its normal vlaue calculation between 3 hypothesis :
 - One for elbows made exclusively of welded pipes : [Sensitive: 9 9.5 k] €/tonne
 - One for elbows made exclusively of seamless pipes : [Sensitive: 16 18 k] €/tonne
 - One for all elbows made either from welded or seamless pipes : [Sensitive: 11 13 k]
 €/tonne
- 96. The details of the calculation is in <u>OPEN Annex C DM 02 CN</u>.

B.1.2. Export price

- 97. The export price has been obtained on the basis of 4 price offers from exporting producers in China. From the price offers, the price of elbows from $\frac{1}{2}$ " to 16" has been retrieved as the most representative product type exported to the EU. Please see <u>Annexes C – 10, C –</u> <u>11, C – 12 and C – 13</u>.
- 98. The price offers lists 36 references of the most exported types of butt welding elbows of stainless steel of sizes ranging ½" to 16", steel grades 304L and 316L and schedules 10S and 40S. All four price offers contain prices expressed in FOB terms in China have been compared in <u>Annex C DM 02 CN</u> (tab 'China Export Price')
- 99. The prices FOB in China are conservatively assumed to approximate the ex-works price. Inland freight in China from the factory to the port of loading is therefore omitted from the calculation, but should be taken into consideration when known.

- 100. To establish the CIF price of the products exported by producers in China, the Applicant relied on two price offers (<u>Annex C 10</u> and <u>Annex C 12</u>) which also contain prices delivered CIF to the EU border (Barcelona and Antwerp). On this basis, the Applicant averaged the ocean freight an insurance cost from China to the EU during the IP at [450-500] US\$ per tonne, i.e. [400-450] €/tonne.
- 101. To make a more accurate price comparison, the Applicant also differentiated between SSTPFs of welded pipes and SSTPFs made of seamless pipes.
 - In Chinese offer 1, all elbows are explicitly made of welded pipes.
 - In Chinese offer 2, elbows are mixed between welded and seamless. The offer explicitly mentions "4 inches and 4 inches below are seamless". The Applicant applied this statement to differentiate between Welded SSTPFs and Seamless SSTPFs.
 - In Chinese offers 3 and 4, the type of SSTPFs was not explicitly mentioned. The Applicant considered that these offers contained a mix of welded and seamless SSTPFs and applied the same rationale as for offer 2.

B.1.3. Comparison of normal value and export price

102. On the basis of the above normal values and export prices, the Applicant calculated the level of dumping for each Chinese exporting producers that submitted a price offer during the IP. The results are in *OPEN Annex C – DM – 02 CN* and could be summarized as follows:

Offer 1 – [Sensitve: company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	n/a	n/a	n/a	n/a	n/a
Welded SSTPF	[9 – 9.5 k]	[5 – 6 k]	[6 – 7 k]	[3 – 4 k]	56%
Seamless SSPTF	n/a	n/a	n/a	n/a	n/a

Offer 2 - [Sensitve: company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[5 – 6 k]	[6 – 7 k]	[6 – 7 k]	110%
Welded SSTPF	[9 – 9.5 k]	[4 – 5 k]	[5 – 6 k]	[4 – 5 k]	86%
Seamless SSPTF	[16 – 18 k]	[7 – 8 k]	[7 – 8 k]	[10 – 12 k]	136%

Offer 3 - [Sensitve: company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[6 – 7 k]	[6 – 7 k]	[6 – 7 k]	94%
Welded SSTPF	[9 – 9.5 k]	[5 – 6 k]	[5 – 6 k]	[3 – 4 k]	64%
Seamless SSPTF	[16 – 18 k]	[7 – 8 k]	[7 – 8 k]	[10 – 12 k]	132%

Offer 4 - [Sensitve: company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[5 – 6 k]	[5 – 6 k]	[6 – 7 k]	124%
Welded SSTPF	[9 – 9.5 k]	[3 – 4 k]	[3 – 4 k]	[6 – 7 k]	176%
Seamless SSPTF	[16 – 18 k]	[6 – 7 k]	[6 – 7 k]	[10 – 12 k]	162%

103. The Applicant also calculated a scenario of a dumping margin including the anti-dumping duties paid for each price offer from China. Conservatively, the residual rate of 64,9% has been added to the CIF price:

Offer 1 - [Sensitve: company name].	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Export Price (ADD paid)	Dumping	Dumping Margin
All SSTPF	n/a	n/a	n/a	n/a	n/a	n/a
Welded SSTPF	[9 – 9.5 k]	[5 – 6 k]	[6 – 7 k]	[10 – 11 k]	- [0 – 1 k]	Negative
Seamless SSPTF	n/a	n/a	n/a	n/a	n/a	n/a

Offer 2 - [Sensitve: company name].	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Export Price (ADD paid)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[5 – 6 k]	[6 – 7 k]	[9 – 10 k]	[2 – 3 k]	38,6%
Welded SSTPF	[9 – 9.5 k]	[4 – 5 k]	[5 – 6 k]	[8 – 9 k]	[0 – 1 k]	13,7%
Seamless SSPTF	[16 – 18 k]	[7 – 8 k]	[7 – 8 k]	[12 – 13 k]	[5 – 6 k]	66,3%

Offer 3 - [Sensitve: company name].	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Export Price (ADD paid)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[6 – 7 k]	[6 – 7 k]	[9 – 11 k]	[1 – 2 k]	22,7%
Welded SSTPF	[9 – 9.5 k]	[5 – 6 k]	[5 – 6 k]	[9 – 10 k]	- [0 – 1 k]	Negative
Seamless SSPTF	[16 – 18 k]	[7 – 8 k]	[7 – 8 k]	[12 – 13 k]	[4 – 5 k]	62,5%

Offer 4 - [Sensitve: company name].	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Export Price (ADD paid)	Dumping	Dumping Margin
All SSTPF	[11 – 13 k]	[5 – 6 k]	[5 – 6 k]	[9 – 10 k]	[2 – 3 k]	51,7%
Welded SSTPF	[9 – 9.5 k]	[3 – 4 k]	[3 – 4 k]	[5 – 6 k]	[3 – 4 k]	99,4%
Seamless SSPTF	[16 – 18 k]	[6 – 7 k]	[6 – 7 k]	[11 – 12 k]	[6 – 7 k]	91%

104. We can see from this scenario that certain margin of dumping become negative, in particular on fittings made from welded pipes in the price offer 2 and 4. However on most comparison, dumping remains.

B.1.4. Conclusion on continuation of dumping from China

105. The levels of dumping established in the IP are considerable and range between 18% and 56% and 176%. This is an indication that dumping practices continue despite the imposition of the original measures and calls for an expiry review of the current measures.

B.2. THE CASE OF TAIWAN

B.2.1. Normal value

- 106. The Applicant tried to obtain prices on the domestic market in Taiwan. However, the main difficulty is that the taiwanese producers contacted by the Applicant knew that the request for prices were for export to the Union. No Union producer represented by the Applicant have a subsidiary or branch in Taiwan.
- 107. Moreover, the known producers in Taiwan do not make price list per region publicly available. TA CHEN for instance, has on its website product catalogs publicly avilable, but no price list.¹⁴ Although, it appears clear from the company profile that the main factory in Tainan serves the domestic market in Taiwan as the Senior Sales Manager is described with the mention "*Marketing Areas: Domestic, Asia, Africa, Australia*".¹⁵
- 108. During the original investigation, due to the lack of domestic sales of the like product, the normal value was constructed in line with Article 2(3) and (6) of the basic Regulation by adding to the average cost of manufacturing of the relevant product the selling, general and administrative ('SG&A') expenses incurred and a reasonable profit.¹⁶
- 109. In the absence of domestic price list or prices available, the Applicant applied the same methodology as in the original investigation by constructing the normal value in Taiwan. The Applicant made use of the same factors of production collected from the Union producers, but searched for public information on prices and costs of the main inputs in Taiwan. All details on the construction of the normal value are in <u>OPEN Annex C DM O2 TW</u>.

Raw materials and by-products

110. For raw materials and by-products: the value of mother pipes of stainless steel and of stainless steel scrap was retrived from the official Taiwanese Customs Statistics Database.¹⁷

Energy

¹⁴ See website of the company Ta Chen, page 'Catalogs' : <u>https://www.tachen.com/catalog/catalog.asp</u>

¹⁵ See website of the company Ta Chen, page 'Locations / Taiwan' : <u>https://www.tachen.com/location_TW.asp</u>

¹⁶ See recital 78 of Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 imposing definitive anti-dumping duties on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan (<u>OJ L 22, 27.1.2017, p. 14</u>).

¹⁷ Source: Taiwan Ministry of Finance, R.O.C., Customs Statistics Database Query, accessible at <u>https://portal.sw.nat.gov.tw/APGA/indexEn_execute</u>

- 111. For electricity, the Applicant retrived the relevant information from World Bank 'Doing Business' study dated 2020.¹⁸ The average cost of electricity for businesses was established at 13.7 U.S. cent per kilowatt-hour, which is equivalent to 0,0983 EUR/kWh.
- 112. For natural gas, the Applicant used the import price of natural gas as recorded in Taiwan's official customs statitics as natural gas is imported under HS-code 2711 11. It led to a price of 0.0221 €/kWh.¹⁹

Utility

113. For water, the Applicant relied on prices published by Taipei Water Department (TWD)²⁰, a public utility operator under the Taipei Municipal Government's jurisdiction, which after conersion leads to a price of 0.54 €/m³.

Labour

114. The cost of labour in Taiwan was obtained from the Ministry of Labour of the Republic of China (Taiwan)²¹ which mentions the minimum wage of 24 000 TWD, which is converted to 4.6125 €/hour.

Other costs

115. The remaining cost items such as packaging, other direct costs and factory overheads were estimated on the basis of the % that these costs represent in the factors of production of the Union producers.

For SG&A and Profit

- 116. In order to establish SG&A and profit, the Applicant looked for publicly available income statements of all known exporting producers in Taiwan. Only one producer in Taiwan (Ta Chen Stainless Pipe Co. Ltd.) was found to have published financial information. However, the 2020 data shows that this company was loss making. Please see <u>Annex 20.5</u>. Therefore, no SSTPFs producer in Taiwan was found to provide a reasonable benchmark for SG&A and profit.
- 117. In the absence available financial statements of SSTPFs producers in Taiwan, the Applicant relied on publicly available income statements of a Taiwanese company that manufactures products that are close to SSTPFs: tubes and pipes of stainless steel. The published accounts of YC INOX Co. Ltd.²² showed a level of 5.6% SG&A and 3.9% profit in 2020, the last financial year publicly available. Please see <u>Annex 20.6</u>.

¹⁸ World Bank, Doing Business 2020, Country profile Taiwan, pp.16-20, available at <u>https://www.doingbusiness.org/en/data/exploreeconomies/taiwan-china</u>

¹⁹ Taiwanese Official Government Statistics, <u>https://portal.sw.nat.gov.tw/APGA/indexEn_execute</u>

²⁰ Taipei Water Department, <u>https://english.water.gov.taipei</u>

²¹ Ministry of Labor of Taiwan, <u>https://english.mol.gov.tw</u>

²² <u>https://www.ycinox.com/</u>

Constructed normal value

118. The Applicant established on the basis of input costs collected above in Taiwan a normal value of [Sensitive: 7 - 8 k] \notin /tonne for welded elbows of stainless steel only.

B.2.2. Export price

- 119. The Applicant obtained prices offered by , an exporting producer in Taiwan during the IP. The average export price of this price offer is [Sensitive: 7 8 k] \$ / tonne at FOB Koahsiung Taiwan, which was convered to [Sensitive: 5.5 7 k] €/tonne during the IP See <u>SENSITIVE Annex C 15</u>.
- 120. The calculation of the CIF price was necessary to establish the denominator for the dumping maring. This price was arrived at by adding ocean freight and insurance. The same ocean freight and insurance as the one from China to the EU was used as reference due to the equivalent distance and comparable ocean routes (Annex C 10 and Annex C 12).
- 121. The following dumping margin has been found:

Taiwan – [sensitive : company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	n/a	n/a	n/a	n/a	n/a
Welded SSTPF	[7 – 8 k]	[5 – 6 k]	[6 – 7 k]	[1 – 2 k]	27%
Seamless SSPTF	n/a	n/a	n/a	n/a	n/a

122. The Applicant also calculated a scenario of a dumping margin including the anti-dumping duties paid for each price offer from Taiwan. As far as is concerned, the individual rate of 5,1% has been added to the CIF price:

Taiwan - [sensitive : company name]	Normal Value (EXW)	Export Price (EXW)	Export Price (CIF)	Export Price (CIF)	Dumping	Dumping Margin
All SSTPF	n/a	n/a	n/a	n/a	n/a	n/a
Welded SSTPF	[7 – 8 k]	[5 – 6 k]	[6 – 7 k]	[6 – 7 k]	[0 – 1 k]	15%
Seamless SSPTF	n/a	n/a	n/a	n/a	n/a	n/a

B.2.3. Conclusion on continuation of dumping

- 123. As can be seen from the above calculations, the product concerned originating in China and Taiwan continues to be dumped in the EU at considerable levels with dumping margins increasing even further than in the original case.
- 124. If the current anti-dumping measures would be lifted then it can clearly be concluded that the EU market would see a surge of dumped Chinese exports. Indeed, China and Taiwan

would appear to have the available capacity (see below) to export large quantities if the measures were to be lifted.

C. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF INJURY

C.1. EVOLUTION OF IMPORTS INTO THE EU

C.1.1. Imports considered in the Product Scope

- 125. Although the product is only part of the HS-6 = 730723, EUROSTAT gives figures at 8 digits level for elbows (2310) and accessories (2390). However, as there are often both elbows and accessories on the same invoice, both categories are often declared under one code only.
- 126. Detailed statistics with tonnage and value of imports in EU-27 of HS-6 = 730723 are shown in attached open <u>Annexes St-01 to St-05</u>
- 127. The exact product scope definition is given in Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 and its amendments:

Tube and pipe butt-welding fittings, of austenitic stainless steel grades, corresponding to AISI types 304, 304L, 316, 316L, 316Ti, 321 and 321H and their equivalent in the other norms, with a greatest external diameter not exceeding 406,4 mm and a wall thickness of 16 mm or less, with a roughness average (Ra) of the internal surface not less than 0,8 micrometres, not flanged, whether or not finished, originating in the PRC and Taiwan. The product falls under CN codes ex 7307 23 10 and ex 7307 23 90 (Taric codes 7307 23 10 15, 7307 23 90 15, 7307 23 90 25).

- 128. Fortunately Surveillance 2 gives access to imports at the TARIC-code level, which allows to get the imports of the product concerned since the implementation of the AD measures since 27 January 2017, and are shown in these same annexes.
- 129. However it is necessary to make some amendments to these imports, as explained in <u>SENSITIVE Annex – St – 0 Bis</u> and <u>Open Annex – St – 0 Bis</u> to take into account some obvious miscoding in Eurostat, and wrong declarations in exports by Switzerland. These amendments are shown in the above annexes.
- 130. Finally, after these amendments, the imports in the Product scope are shown after taking into account the Custom duty of 3,7 % when existing and the anti-dumping duties for CHINA estimated at its minimum level of 30,7 % and for TAIWAN at its minimum duty of 5,1 % see <u>Open Annexes St 06 to 09</u>.

C.1.2. Evolution of imports from CHINA

131. Imports of the product concerned from China evolved as follows in the period from 2018 to the IP evolved as follows:

Year	2018	2019	2020	IP
Volume (tonnes)	551.6	769.0	688.8	782.3
Value in (€ CIF)	3 718 810	5 787 659	4 886 004	5 324 308
Average price (€/T)	6 741.6	7 525.9	7 093.4	6 806.3

Table E.2: Imports from China Source : Annexes St - 01 to 15



132. Despite anti-dumping measures installed in January 2017, imports from China have increased during the period considered for the assessment of injury. Imports from China increased from from 551,6 tonnes in 2018 to 782 tonnes during the IP, i.e. an increase of 41%.



133. The average price increased following the imposition of the measures between 2018 and 2019. Then, prices from China followed a decreasing trend in 2020 and during the IP, despite the increase in raw materials.

C.1.3. Evolution of imports from TAIWAN

134. Imports of the product concerned from Taiwan evolved as follows in the period from 2017 to the IP evolved as follows:

Year	2018	2019	2020	IP
Volume in tonnes	257.8	336.2	337.3	303.0
Value in € (CIF)	1 664 665	2 399 300	2 439 912	2 334 049
Average price	6 457.0	7 136.7	7 234.1	7 702.2

Source : Annexes St - 01 to 15



135. Imports from Taiwan in terms of volume have continuously increased since the imposition of the measures from 258 tonnes in 2018 to 337 tonnes in 2019 and 2020. During the most recent period of 2020 and the IP, imports have stabilized at 300 tonnes but did not decrease.



136. The average price of imports from Taiwan increased continuously over the period considered from 6 457 €/tonne in 2018 to 7 702 €/tonne during the IP.

C.1.4. Evolution of imports from countries not subject to AD measures, but which can be considered as resulting from circumvention and/or frauds with Chinese fittings: MALAYSIA

137. Since the imposition of the original AD measures in January 2017, several EU stockists and traders tried to avoid payment of anti-dumping duties on product concerned originating in China. The Applicant considers that this happened through transshipment via a third country which is Malaysia. The change in the pattern of trade is obvious from the evolution of imports recorded by Surveillance 2.

138. Imports of the product concerned from Malaysia evolved as follows in the period from 2018 to the IP evolved as follows:

	<u></u>		1 (0 10	
Year	2018	2019	2020	IP
Volume in tonnes	1 139.2	1 418.0	1 332.5	1 584.7
Value in € (CIF)	7 861 631	9 802 237	8 421 792.2	9 327 688.5
Average price	6 900.8	6 912.6	6 320.2	5 886.2





139. Malaysia increased its volume exported to the EU between 2018 and the IP. Malaysia has surpassed China in terms of volume of product concerned declared for import into the EU border during the IP.



140. The average price of fittings declared as originating in Malaysia first increased in 2019, but then subsequently decreased substantially to become the lowest one at the EU border during the IP, below 6 000€/tonne.

C.1.5. Evolution of imports from CHINA TAIWAN and MALAYSIA

141. Imports of the product concerned from China, Taiwan and Malaysia altogether evolved as follows in the period from 2018 until the IP evolved as follows:

Year	2018	2019	2020	IP
China	551.6	769.0	688.8	782.3
Taiwan	257.8	336.2	337.3	303.0
China + Taiwan	809.4	1 105.2	1 026.1	1 085.3
Index	67	91	85	90
Malaysia	1 139.2	1 418.0	1 332.5	1 584.7
China + Taiwan + Malaysia	1 948.7	2 523.2	2 358.6	2 670.0
Index	90	117	109	124

Table E.5: Imports from China, Taiwan and Malaysia
Source : Annexes St - 01 to 15



- 142. First, China and Taiwan taken together show an overal increase of 34% in volume of imported product concerned into the EU between 2018 and the IP. There was an initial increase of 37% between 2018 and 2019 followed by a subsequent decrease of 10% in 2020. During the IP, the increasing trend reappeared with an increase of 7% as compared to 2020. The continued presence of dumped imports from China and Taiwan on the Union market during the period of analaysis is therefore established.
- 143. Moreover, the substantial increase of imports of the product concerned from Malaysia at a very low price is an indication that certain circumvention practices might take place in order to import the production concerned originating in China while avoiding the imposition of the measure through activities such as transshipment via Malaysia.
- 144. All in all, the addition of these developments of EU imports leads the Applicant towards the conclusion that the continued presence of dumped imports has been sustained during the period of analaysis and is still present during the IP of the Application.

C.1.6. Evolution of total imports from all 3rd countries

 Source : Annexes St - 01 to 15

Year	2018	2019	2020	IP
Volume in tonnes	2 934.1	3 586.2	2 825.7	3 095.3
Value in € (CIF)	24 849 013	32 075 516	23 265 576	24 758 760
Average price	8 469.1	8 944.2	8 233.5	7 998.8



- 145. Imports from all 3rd countries are, from end to end, relatively stable ataround 3 000 tonnes per year. Although imports increased in 2019 to 3 500 tonnes, theyr returned to their initial level in 2020 and during the IP. The evolution of imports from China, Taiwan and Malaysia evolved differently. While those imports increased in 2019, they did not returned to their initial level during the IP. Volumes originating in China and Malaysia continued to increase in absolute terms during the IP.
- 146. The development of Malaysian imports at significant volumes and at very low prices during the period of analysis impacted the total imports trends. Imports from Malaysia increased substantially since the imposition of the original measures in January 2017. They represented 33% of total imports in 2018 and more than 50% of the total imports into the EU. The price of those imports is the lowest price observed at the EU border. These imports are very probably from Chinese origin and are circumventing the original measures.

C.1.7. Conclusion on the level of dumped imports on the Union market

147. The sustained level of dumped imports on the Union market has been observed during the period of analysis, after the measures have been imposed. This conclusion is one element that leads the Applicant to conclude that the injury suffered by the Union industry continued during the imposition of the measures and will likely continue and worsen should the measures expire.

C.2. APPARENT CONSUMPTION IN THE UNION

148. The apparent consumption in the Union is established on the basis of sales volumes of the Union industry on the Union market (see <u>Sensitive Annex C-01</u> and <u>OPEN Annex D-01</u> and <u>Annexes St-01 to St-15</u>)

		2018	2019	2020	IP : July	2020 to Jun	e 2021
			Tonnes			Trend % on 2020	EURO/t
in the Product Scope							
EU domestic sales		7 416.0	7 252.0	7 379.0	8 368.0	13.4%	
+ ESTIMATED Imports from 3 rd		2 934.1	3 586.2	2 825.7	3 095.3	9.5%	7 998.8
= Apparent Consumption		10 350.1	10 838.2	10 204.7	11 463.3	12.3%	
0/ 2ndtri		20.25	22.00	27.00	27.00	2 50/	
% domestic		28.35	33.09 66.01	27.69	27.00	-2.5%	
76 domestic		/1.05	00.91	72.31	73.00	1.078	
Imports of 3rd countries in ton	nes		<u>see Annex</u>	<u>es St - 01 to</u>	<u>St - 15</u>		
China		551.6	769.0	688.8	782.3	13.6%	6 806.3
Taiwan		257.8	336.2	337.3	303.0	-10.2%	7 702.2
Total 2 countries		809.4	1 105.2	1 026.1	1 085.3	5.8%	7 056.5
Malaysia		1 139.2	1 418.0	1 332.5	1 584.7	18.9%	5 938.9
China + Taiwan + Malaysia		1 948.7	2 523.2	2 358.6	2 670.0	13.2%	6 361.9
Switzerland Scope		649.3	681.0	243.6	216.2	-11.2%	10 790.8
Thailand		206.8	201.7	89.2	82.2	-7.9%	35 803.8
India		51.2	77.8	56.1	49.5	-11.9%	11 050.2
South Korea		29.7	40.1	43.6	45.8	4.9%	12 986.2
USA		3.5	3.4	15.9	7.7	-51.7%	120 943.9
Great Britain					7.1		17 697.1
Other 3rd countries		44.9	59.0	18.6	16.9	-9.1%	27 015.7
Market shares in %							
China		5.33	7.10	6.75	6.82	1.1%	
Taiwan		2.49	3.10	3.31	2.64	-20.0%	
Total 2 countries		7.82	10.20	10.05	9.47	-5.8%	
Malaysia		11.01	13.08	13.06	13.82	5.9%	
China + Taiwan + Malaysia		18.83	23.28	23.11	23.29	0.8%	
Switzerland Scope		6.27	6.28	2.39	1.89	-21.0%	
Thailand		2.00	1.86	0.87	0.72	-18.0%	
India		0.49	0.72	0.55	0.43	-21.6%	
South Korea		0.29	0.37	0.43	0.40	-6.6%	
USA		0.03	0.03	0.16	0.07	-57.0%	
Great Britain		0.00	0.00	0.00	0.06		
Other 3rd countries		0.43	0.54	0.18	0.15	-19.1%	

C.2.1. Evolution of Apparent Consumption in the Union

149. The apparent consumption in the Union increased by 5% between 2018 and 2019 and decreased in 2020. During the IP, the apparent consumption in the Union shows an increasing trend of 11%, from 10 350 tonnes in 2018 to close to 11 500 tonnes during the IP. The following table illustrates the evolution of the apparent consumption in the Union.

Apparent Consumption	2018	2019	2020	IP
Volume (tonnes)	10 350.1	10 838.2	10 204.7	11 463.3
Index	100	105	99	111



C.2.2. Evolution of domestic and import market shares

150. The market share are expressed as a percentage of the apparent consumption in the Union. The share of domestic sales on the Union market increased slightly from 71.7% to 73%, i.e. an increase of 1.3%.

Market shares in %	2018	2019	2020	IP
Domestic sales	71.7%	66.9%	72.3%	73.0%
Imports from China	5.3%	7.1%	6.7%	6.8%
Imports from Taiwan	2.5%	3.1%	3.3%	2.6%
Imports from China + Taiwan	7.8%	10.2%	10.1%	9.5%
Imports from Malaysia	11.0%	13.1%	13.1%	13.8%
Imports from China + Taiwan + Malaysia	18.8%	23.3%	23.1%	23.3%

151. The market of imports declared as originating in China increased by from 5.3% to
6.8% during 2020 but re d to their initial level during the IP. Imports from Malaysia increased their share market significantly by gaining close to 3% of the market during the period of an . The combined imports fromt China and Taiwan increased their market

share by 2%, from 7.8% in 2018 to 9.5% during the IP. When adding imports declared as originating in Malaysia, the market share increased from 18.8% to 23.3%.

C.3. LIKELY CONTINUATION OF INJURY TO THE UNION INDUSTRY

- 152. In order to determine if dumped imports would likely lead to a continuation or recurrence of injury, the main elements to consider are the level of imports, the prices of these imports and the trend of the market share of these imports. The economic assessment of the current state of the Union industry is necessary to determine whether the expiry of the current meausures would be likely to lead to a continuation or recurrence of injury.
- 153. The situation of the Union industry has been assessed on a macroeconomic level as far as capacity, production, domestic sales, market share and workforce are concerned on the basis of confidential information provided by the companies represented by the Applicant, and the best of the Applicant's knowledge for the known other producers in the Union. The macroeconomic assessment can be found in <u>SENSITIVE Annexes C-01</u> and <u>OPEN Annexes D-01</u>.
- 154. The situation of the three producers represented by the Applicant has also been assessed on a microeconomic level, at the level for indicators such as capacity, production, sales in the EU and to 3rd countries, sales prices, costs, profitability, employment, productivity, investments and stocks level. This assessment has been performed on the basis of confidential files supplied by the Applicant and detailed in <u>SENSITIVE Annexes C-02</u> and <u>OPEN Annexes D-02</u>.

C.3.1. Macroeconomic indicators

C.3.1.1. Capacity, production and utilisation rate

155. The production capacity, actual production and utilization rate have been estimated as follows.

Production and capacity	2018	2019	2020	IP
Union capacity (tonnes)	17 932	17 905	17 974	18 530
Index	100	100	100	103
Union production (tonnes)	8 861	8 773	8 600	9 401
Index	100	99	97	106
Capacity utilisation ratio (%)	49.4%	49.0%	47.8%	50.7%

Production and capacity	2018	2019	2020	IP
Union capacity (tonnes)	17 932	17 905	17 974	18 530
Index	100	100	100	103
Union production (tonnes)	8 861	8 773	8 600	9 401
Index	100	99	97	106
Capacity utilisation ratio (%)	49.4%	49.0%	47.8%	50.7%



- 156. Whereas the production capacity in the Union remained stable during the period of analysis, the production increased by 6% between 2018 and the IP. On this basis the Union industry improved its capacity utilization ratio from 49.4% to 50.7%. However, this utilisation ratio is abnormally low. Close to 50% of the installed capacity is not utilised which indicates that the Union industry is in a vulnerable position in respect of these indicators.
- 157. It is only thanks to the effect of corrective measures on dumped imports that the Union industry could maintain stability in terms of utilisation rate. Should these measures lapse, a negative trend on these indicators is likely to recur.

C.3.1.2. Sales in the EU and market shares

158. The sales of Union producers in the EU evolved as follows. The market share are expressed as a percentage of the apparent consumption.

Sales in the Union	2018	2019	2020	IP
EU industry (tonnes)	7 415.9	7 251.8	7 379.4	8 368.0
Index (2017 = 100)	100	98	100	113
Market shares (%)	71.7%	66.9%	72.3%	73.0%
Index (2017 = 100)	100	93	101	102

159. While the Union industry increased by 13% the volume sold in absolute terms between 2018 and the IP, its market share remained stable during the same period, with a very small increase of 1.3% market share between 2018 and the IP. This indicator shows that the Union industry was able to stop losing market shares but also that it was barely able to regain market share. Should the corrective measures lapse, the negative trend on market share of the Union industry is likely recur.

C.3.1.3. Workforce in the EU

160. The evolution of the workforce employed by the Union industry in the EU evolved negatively in the IP with a decrease of 7% as compared to the level of 2018.

Workforce in the Union	2018	2019	2020	IP
EU industry (tonnes)	556	547	548	514
Index	100	98	99	93



161. This indicator is another indication that injury suffered by the Union industry in terms of workforce employed in the Union continued. Should the measures lapse, this indicator is likely to continue its decreasing trend

C.3.2. Microeconomic indicators

C.3.2.1. Production and capacity

162. The aggregated production and capacity data for the Union producers represented by the Applicant evolved as follows.

Production and capacity	2018	2019	2020	IP
Union capacity (tonnes)	[index]	[index]	[index]	[index]
Index	100	100	100	103
Union production (tonnes)	[index]	[index]	[index]	[index]
Index	100	97	96	105
Capacity utilisation ratio (%)	[index]	[index]	[index]	[index]
Index	100	97	96	102

- 163. The capacity of production remained relatively stable and the production did decrease in 2019 and 2020, but increased during the IP. Overall the Union producers increased their production by 5% between 2018 and the IP. The capacity utilisation ratio remained very low thoughout the period, which indicates that the industry is still in a vulnerable postion due to the continued presence of unfair imports from China and Taiwan and possible circumvention.
- 164. Should anti-dumping measures lapse, the relative stability observed on these indicators is likely to stop, and injury trends to recur.

C.3.2.2. Sales volume by destination

165. The volumes sold by the Union producers represented by the Applicant have been aggregated and evolved as follows:

Sales by destination	2018	2019	2020	IP
Sales to the EU (tonnes)	[index]	[index]	[index]	[index]
Index	100	98	101	115
Sales to the 3 rd countries (tonnes)	[index]	[index]	[index]	[index]
Index	100	106	85	90
Total sales (tonnes)	[index]	[index]	[index]	[index]
Index	100	99	98	110



- 166. The Union producers' main focus is the EU market that represents [80 90] % of their total sales. The focus on the Union market combined with a growing apparent consumption and the existence of corrective measures allowed the Union producers to increase their sales volume during the IP on the EU market by 15% as compared to 2018. At the same time, the sales for export outside the EU slightly decreased by 7% during the IP as compared to 2018.
- 167. Should the measures lapse, the level playing field on the Union market is likely to deterriorate and nagative trends in sales volumes to recur.

C.3.2.3. Sales value and average price in the Union

168. The sales value and average price of the Union producers represented by the Applicant have been aggregated and evolved as follows:

Sales to the EU	2018	2019	2020	IP
Sales volume to the EU (tonnes)	[index]	[index]	[index]	[index]
Index	100	98	101	115
Sales value to EU ex-mill (1000 €)	[index]	[index]	[index]	[index]
Index	100	98	96	109
Average sales price in the EU (€/tonne)	[index]	[index]	[index]	[index]
Index	100	100	95	95



- 169. The average sales price in the EU first remained stable in 2018 and 2019 but then decreased by 5% in 2020 and during the IP although costs of sales were increasing during that period.
- 170. The evolution of these indicators show that the Union producer had to decrease their average sales price, although costs of slaes increaesd (see below), in order to sell and supply the growing apparent consumption.

C.3.2.4. Evolution of ex-mill prices, costs and profitability of sales in the Union

171. The average sales price and cost of sales in the EU of the Union producers represented by the Applicant have been aggregated. The profitability of the Union producers is expressed by the pre-tax net profit on sales in the Union as a percentage of the turnover of those sales.

Profitability in the EU	2018	2019	2020	IP
Average sales price in EU (€/tonne)	[index]	[index]	[index]	[index]
Index	100	100	95	<i>9</i> 5
Average cost of sales in EU (€/tonne)	[index]	[index]	[index]	[index]
Index	100	105	102	103

Profitability on EU sales (€/tonne)	[index]	[index]	[index]	[index]
Index	100	72	50	42
Profit margin on EU sales (%)	[index]	[index]	[index]	[index]
Index	100	72	53	44





- 172. During the entire period of analysis, the price pressure of dumped imports on the average sales prices of Uniont producers in the Union has not disappeared. The comparison of sales prices and corresponding costs of sales ex-mill over time show a clear case of price suppression. While the average cost of goods sold was stable or slightly increasing in 2019, the average sales price decreased by 4%. The gap between the sales price and the cost is narrowing in the most recent period of 2019, 2020 and the IP. As a result, the profitability on EU sales of the Union producers collapsed by over 56% between 2018 and the IP.
- 173. It should be noted that the profitability of the Union producers is on a negative trend. The profitability level during the IP is also very close to the profit level in the original

investigation which decreased from [8 %-10 %] to [4 %-6 %].²³ The Applicant therefore considers that the improvement observed in 2018 is endangered by the continued presence of dumped imports on the Union market. The negative trend observed during the IP is very likely to continue should the measures be terminated.

C.3.2.5. Stocks

174. Stock levels at the end of each period held by the Union producers represented by the Applicant have been aggregated and evolved as follows.

Stocks	2018	2019	2020	IP
Stocks level end of period (tonnes)	[index]	[index]	[index]	[index]
Index	100	101	106	95

175. Stocks remained at a relatively stable level during the period of analysis. The industry has to maintain stocks of a various range of products in order to be able to compete on the Union market with other producers' fast delivery time.

C.3.2.6. Employment and productivity

176. Employment and productivity of the Union producers represented by the Applicant have been aggregated and evolved as follows.

Employement	2018	2019	2020	IP
Employment end of period (people)	[index]	[index]	[index]	[index]
Index	100	92	87	78
Productivity (tonnes/people)	[index]	[index]	[index]	[index]
Index	100	106	111	135

177. Employment at the Union producers continuously decreased. During the IP, the Union producers employed 22% less people than in 2018 when the measures were imposed.

C.3.2.7. Investments

178. Investments of the Union producers represented by the Applicant have been aggregated and evolved as follows:

Investments	2018	2019	2020	IP
Investments (€)	[index]	[index]	[index]	[index]
	100	94	267	193

²³ Commission Implementing Regulation (EU) 2017/141 of 26 January 2017 imposing definitive anti-dumping duties on imports of certain stainless steel tube and pipe butt-welding fittings, whether or not finished, originating in the People's Republic of China and Taiwan (OJ 2017 L 22/14) rec. 215

- 179. The Union producers doubled their investments in the Union between 2018 and the IP. However, this increase should be considered in light of the absolute figures. The level of investment in 2018 and 2019 was of 1.5 million euro by the four main producers. Investments are mainly for expenses related to maintenance and safety equipment.
- 180. The overal positive trend observed investments however shows a negative trend during the IP. This is mainly a consequence of decreasing profitability during the IP. Should measures terminate the negative trend on investments in the Union is likely to recur.

C.3.2.8. Undercutting

181. In order to assess the price pressure of dumped imports on the Union industry. The Applicant compared the average sales price of the Union industry at ex-mill level with the average import price of China and Taiwan recorded by Surveillance 2 after payment of all duties (MFN and AD) to obtain a landed price duty paid. The same exercise has been performed without the AD duty to assess the impact of the expiry of the measures. The undercutting margin is expressed as a percentage of the Union industry average sales price.

Undercutting	2018	2019	2020	IP
China CIF duty unpaid (€/T)	6 741.6	7 525.9	7 093.4	6 806.3
China MFN 3.7% (€/T)	249.4	278.5	262.5	251.8
China AD 41.9% (€/T)	2 824,7	3 153,4	2 972,1	2 851,8
China all duty paid (€/T)	9 815,7	10 957,7	10 328,0	9 910,0
EU industry (Ex-Mill)	[sensitive]	[sensitive]	[sensitive]	[sensitive]
Undecutting (%)	no U/C	no U/C	no U/C	no U/C

Table G.1: Undercutting calculation for China with AD duties

Table G.2: Undercutting calculation for China without AD duties

Undercutting	2018	2019	2020	IP
China CIF duty unpaid (€/T)	6 741.6	7 525.9	7 093.4	6 806.3
China MFN 3.7% (€/T)	249.4	278.5	262.5	251.8
China all duty paid (€/T)	6 991.0	7 804.4	7 355.9	7 058.1
EU industry (Ex-Mill)	[sensitive]	[sensitive]	[sensitive]	[sensitive]
Undecutting (%)	[20 - 30]%	[10 - 20]%	[10 - 20]%	[15 - 25]%

- 182. The AD measures in place on imports originating in China, the residual duty of 41.9 % as example, show that the measures offset the undercutting effect of imports from China. The same conclusion is reached by considering the individual duty rates for named Chinese exporting producers ranging 30.7 % to 55.3 %.
- 183. As can be seen in table G.2 should the measures on China lapse, imports from China are very likely to undercut the Union industry significantly. During the IP, if no measures were

applied against Chinese products, the product concerned would have undercut the Union industry by [20 - 30]%. Undercutting in the absence of measures has been observed throughout the period from 2018 until the IP.

184. The recurrence of significant undercutting would likely lead to a recurrence and worsening of the injury suffered by the Union industry.

Undercutting	2018	2019	2020	IP
Taiwan CIF duty unpaid (€/T)	6 457.0	7 136.7	7 234.1	7 702.2
Taiwan MFN 3.7% (€/T)	238.9	264.1	267.7	285.0
Taiwan AD 12.1% (€/T)	781,3	863,5	875,3	932,0
Taiwan all duty paid (€/T)	7 477,2	8 264,3	8 377,1	8 919,1
EU industry (Ex-Mill)	[sensitive]	[sensitive]	[sensitive]	[sensitive]
Undecutting (%)	[20 - 30]%	[10 - 20]%	[10 - 20]%	[0 - 10]%

Table G.3: Undercutting calculation for Taiwan with AD duties

Table G.4: Undercutting calculation for Taiwan without AD duties

Undercutting	2018	2019	2020	IP
Taiwan CIF duty unpaid (€/T)	6 457.0	7 136.7	7 234.1	7 702.2
Taiwan MFN 3.7% (€/T)	238.9	264.1	267.7	285.0
Taiwan all duty paid (€/T)	6 695.9	7 400.8	7 501.8	7 987.2
EU industry (Ex-Mill)	[sensitive]	[sensitive]	[sensitive]	[sensitive]
Undecutting (%)	[20 - 30]%	[20 - 30]%	[10 - 20]%	[10 - 20]%

- 185. As far as Taiwan is concerned, the AD measure in place since 2017 did gradually remove the effects of price undercutting on the Union producers. Although during 2018 to 2020, some undercutting presisted, the situation during the IP tends to show that undercutting has been offset. However, this is true only for exporting producers in Taiwan facing the residual duty. Since the two major export Ta Chen and King Lai have benefit from lower AD rates or 5.1% and 0% respectively, the continuation of undercutting by these producers cannot be excluded.
- 186. As can be shown in table G.4 should the measures on Taiwan lapse, imports from Taiwan are very likely to undercut the Union industry significantly. During the IP, if no measures were applied against Taiwanese products, the product concerned would have undercut the Union industry by [10 20]%.

Underselling

187. The Applicant performed an underselling calculation for both China and Taiwan during the IP by using the minimum target price on the basis of a target profit of 6 % introduced by the modernisation package in article 7(2c) of the Basic Regulation.²⁴ The result of the

²⁴ OJ 2018 L 143/1

underselling exercise is expressed as a percentage of the price of the imported product at the CIF level (duty unpaid) as follows:

China with AD duties

Underselling	IP
China (duty unpaid)	6 806,3
China (3.7% MFN)	251,8
China (41.9% AD)	2 851,8
China (duty paid)	9 910,0
EU industry cost of	[sensitive]
sales	
EU industry target price	[sensitive]
Underselling	no U/S

China without AD duties

Underselling	IP
China (duty unpaid)	6 806,3
China (3.7% MFN)	251,8
China (duty paid)	7 058,1
EU industry cost of sales	[sensitive]
EU industry target price	[sensitive]
Underselling	[20 - 30] %

Taiwan with AD duties

Underselling	IP
Taiwan (duty unpaid)	7 702,2
Taiwan (3.7% MFN)	285,0
Taiwan (12.1% AD)	932,0
Taiwan (duty paid)	8 919,1
EU industry cost of sales	[sensitive]
EU industry target price	[sensitive]
Underselling	[0 – 1] %

Taiwan without AD duties

Underselling	IP
Taiwan (duty unpaid)	7 702,2
Taiwan (3.7% MFN)	285,0
Taiwan (duty paid)	7 987,2
EU industry cost of sales	[sensitive]
EU industry target	[sensitive]
price	
Underselling	[10 – 20] %

188. As can be seen from the underselling calculations, in the presenc of AD duties, the injury margin is reduced to no or very little underselling. However, in the absence of measures, the imports from China and from Taiwan could still significantly injur the Union industry. The continuation of measures is therefore crucial to avoid the likley recurrence of injury.

C.3.3. Conclusion on the likely continuation of injury

- 189. Imports are sustained on the Union market. The economic situation of the Union industry, although it somehow stabilised, is still very fragile and the developments during the period considered has shown that injury would be likely to continue or to recur should the measures lapse.
- 190. Important indicators such as profitability and employment have clear negative trends during the period following the imposition of the measures. In the absence of measures, the injury is likely to continue on the existing negative trends.

C.4. LIKELIHOOD OF RECURRENCE OF INJURY

- 191. Other indicators such as production, capacity utilisation, sales and market shares have shown stabilisation or even improvements. However, the state of the Union industry remains fragile and the continued presence of dumped imports on the Union market makes it very likely that in the absence of measures the injury is likely to recur.
- 192. Undercutting has taken place throughout the period and despite the anti-dumping measures, this is in particular the case for Taiwan. The price pressure of dumped imports was not entirely offset by the measures. This is also visible in the negative devolpment of the average sales price of the Union producers, despite a stable cost of production. Union producers had to decrease their average price to maintain their market share and stabilise capacity utilisation at the expence of profitability and employment.
- 193. Account also has to be taken of the recent Chinese prices offered to importers in the EU with Chinese exporters making quotes as low as € [5 6 k] per tonne FOB China (see <u>SENSITIVE Annex C-13.1 and C-13.2</u>). At such low prices no EU producer could survive for <u>very long</u>.
- 194. The Applicant submits that the injury caused by dumped imports to the Union industry left place for a fragile situation during the period of analysis and injury is likely to recur should the measures lapse. This is supported by the negative developments of several injury indicators, the loss of market share and the persistence of price pressure in the form of significant undercutting. Should the anti-dumping measures lapse, the EU industry would very likely result in the recurrence of substantial material injury.
- 195. The expiry of the measures would not only likely lead to a continuation of injury but it could also lead to the recurrence of further injury.
- 196. In order to show that there is a likelihood that further injury would recur should measures be removed it is necessary to forecast the reaction of Chinese and Taiwanese exporters to such a removal of measures. The main elements this forecast needs to assess is the situation of exporters in terms of current spare capacity, current pricing behavior, as well as their past behavior to assess whether the removal of measures will lead them to revert to injurious dumping.
- 197. It is surely clear that the removal of a measure will have consequences given the history of Chinese and Taiwanese behavior on this product. It is also very clear that China and Taiwan have plenty of spare capacity to take full advantage of any removal of measures.

C.4.1. The existence and significance of free spare capacity in China

198. The Chinese fittings industry is extremely developed, and constituted of at least 67 manufacturers known and identified in <u>SENSITIVE Annex – C – 08 – CN</u> and <u>Annex - 09</u>, but

actually much more considering its mere exports, not to mention its deliveries on the Chinese market:

- 199. In 2019, there were 231 Chinese exporters of 730723 stainless fittings to EU identified, according to ETCN, of which 51 exported at least 5 tonnes and are detailed in the above mentioned annexes.
- 200. The estimations of the Applicants for the Chinese industry are as follows (see <u>SENSITIVE</u> <u>Annex – C – 08</u> and <u>OPEN Annex – D - 08</u>):

Capacity	170.000 tonnes minimum
Production:	119.000 tonnes

201. The Chinese stainless steel Butt-Welding Fittings industry is by far the largest in the world. Its current available capacity of increased production of the product concerned can be estimated at least at 51.000 tonnes, i.e. 6,5 times the total domestic deliveries of ALL EU-27 producers.

C.4.2. The existence and significance of free spare capacity in Taiwan

- 202. The Taiwanese fittings industry also is extremely developed, and constituted of at least 9 manufacturers known and mentioned in <u>SENSITIVE Annex C 08 TW</u> and <u>OPEN Annex</u> <u>– D 09</u>, as well as several traders.
- 203. The estimations of the Applicants for the Taiwanese industry are as follows (see <u>SENSITIVE</u> <u>Annex – C – 09</u> and <u>OPEN Annex – D - 10</u>):

Capacity	22.500 tonnes / year
Production:	9.400 tonnes / year

- 204. In a nutshell, the Taiwanese spare capacity :
 - represents 125 % of the total EU production of about 9.000 tpy.
 - is 1,4 times the total EU domestic sales of about 7.800 tpy.
- 205. In addition, there are also very close links between the Chinese and the Taiwanese industries:
 - TA CHEN has 4 plants in China (see <u>OPEN Annex 17</u>)
 - Censor International Corp and Tru-Flow of Taiwan are linked to Changshu YungChia Heavy Industrial Co., Ltd. (CSYC), having a big factory in CHINA (see OPEN Annex – 18)
 - CSE Group of Taiwan is combined with CSE China in Xiamen (see <u>Annex 19</u>)

D. CERTIFICATION

The undersigned certify that the information given in this Application is complete and correct, on the basis of the information in his possession, and that he has been authorised to represent the companies supporting this Application.

Mr. Raymond BARBIER

Mr. Bernard O'CONNOR

(signed)

(signed)

Mr. Willem DE MUNCK

Mr. Maxime HOMMÉ

(signed)

(signed)