Commission Implementing Regulation (EU) 2020/44 of 20 January 2020 making imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt subject to registration

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THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union[(1)] ('the basic Regulation'), and in particular Article 24(5) thereof,

After informing the Member States,

Whereas:

(1) On 16 May 2019, the Commission announced, by a notice published in the *Official Journal of the European Union*[(2)] ('the notice of initiation'), the initiation of an anti-subsidy proceeding with regard to imports into the Union of glass fibre fabrics ('GFF') originating in the People's Republic of China ('PRC') and Egypt following a complaint lodged on 1 April 2019 by the complainant on behalf of producers representing more than 25 % of the total Union production of glass fibre fabrics ('the complainant').

(2) This anti-subsidy investigation is conducted by the Commission in parallel with an anti-dumping-investigation covering the same products, which was initiated on 21 February 2019[(3)].

1. PRODUCT SUBJECT TO REGISTRATION

(3) The product subject to registration ('the product concerned') is fabrics of woven and/or stitched continuous filament glass fibre rovings and/or yarns with or without other elements, excluding products which are impregnated or pre-impregnated (pre-preg), and excluding open mesh fabrics with cells with a size of more than 1,8 mm in both length and width and weighing more than 35 g/m2, currently falling under CN codes ex 7019 39 00, ex 7019 40 00, ex 7019 59 00 and ex 7019 90 00 (TARIC codes 7019 39 00 80, 7019 40 00 80, 7019 59 00 80 and 7019 90 00 80). These CN and TARIC codes are given for information only[(4)].

2. REQUEST

(4) On 31 July 2019, the complainant submitted a request for registration pursuant to Article 24(5) of the basic Regulation. The complainant requested that imports of the

Changes to legislation: *There are currently no known outstanding effects for the Commission Implementing Regulation (EU) 2020/44. (See end of Document for details)*

product concerned be made subject to registration so that measures may subsequently be applied against those imports from the date of such registration.

(5) On 21 November 2019, the complainant re-submitted a request for registration pursuant to Article 24(5) of the basic Regulation, with updated import figures (’second request for registration ’).

3. GROUNDS FOR REGISTRATION

(6) According to Article 24(5) of the basic Regulation, the Commission may direct the customs authorities to take the appropriate steps to register imports, so that measures may subsequently be applied against those imports from the date of such registration. Imports may be made subject to registration following a request from the Union industry, which contains sufficient evidence to justify such action.

(7) According to the complainant, registration is justified as the product concerned is subsidised and significant injury to the Union industry, which is difficult to repair, is being caused by low-priced imports.

(8) The Commission examined the request in the light of Article 16(4) of the basic Regulation. It assessed whether there are critical circumstances where, for the subsidised product in question, injury which is difficult to repair is caused by massive imports in a relatively short period of a product benefitting from countervailable subsidies and whether it is deemed necessary to assess countervailing duties retroactively on those imports in order to preclude the recurrence of such injury.

3.1. Products benefitting from countervailing subsidies

(9) As regards subsidisation, the Commission has at its disposal sufficient evidence that imports of the product concerned from the PRC and Egypt are being subsidised. The alleged subsidies consist, inter alia, of: direct transfers of funds within the meaning of Article 3(1)(a)(i) of the Basic Regulation; government revenue forgone or not collected, within the meaning of Article 3(1)(a)(ii) of the basic Regulation; and the provision of goods and services at less than adequate remuneration, within the meaning of Article 3(1)(a)(iii) of the basic Regulation.

(10) It is alleged that those measures are subsidises since they involve a financial contribution from the Governments of the PRC and Egypt or other regional and local governments (including public bodies) and confer a benefit to the exporting producers of the product concerned. They are alleged to be contingent upon export performance and/or the use of domestic over imported goods and/or are limited to certain sectors and/or types of enterprises and/or locations, and are therefore specific and countervailable.

(11) The evidence of subsidisation was made available in the open version of the complaint and was further analysed in the memorandum on sufficiency of evidence.

(12) Therefore, the available evidence at this stage tends to indicate that the exports of the product concerned are benefiting from countervailable subsidies.

3.2. Injury which is difficult to repair

(13) The request for registration provides sufficient evidence of critical circumstances, where for the product concerned injury, which is difficult to repair, is caused by massive imports benefiting from countervailable subsidies in a relatively short period of time. Furthermore, in the second request for registration the complainant argued that the Union GFF industry is currently in the process of negotiating 2020 contracts with Union customers and that immediate registration is essential for them not to lose a large part of their 2020 business to the subsidised products.

(14) The Commission has sufficient evidence that the exporting producers' subsidization is causing material injury to the Union industry, which is difficult to repair. This evidence consists of detailed data, contained in the complaint and in the latest request for registration concerning the key injury factors set out in Article 8(4) of the basic Regulation. Evidence of such circumstances includes the rapid deterioration of the situation of the Union industry characterized by depressed profit margins that halved between 2015 and 30 September 2018 as well as a loss of market share of 5 percentage points during the same period. This deterioration coincided with the increased volume of imports from the PRC and Egypt and a decrease of their average import price by 13,5 %, that, between 1 October 2017 and 30 September 2018 was significantly undercutting Union industry's prices by 37 % in case of the PRC and 26 % in case of Egypt, according to the complaint.

(15) In addition, the Commission assessed whether the injury suffered was difficult to repair. Considering that the most important high volume users of GFF use lengthy processes to certify their suppliers, once they switch to a Chinese or Egyptian supplier it is unlikely for them to switch back to a Union producer in the short or even medium term. Such threat of permanent loss of market share or reduced income constitutes an injury which is difficult to repair. Furthermore, as argued in the second request for registration there is a clear risk that without action measures imposed in 2020, if any, would have been rendered ineffective to a significant extent with regard to 2020 market demand.

(16) One exporting producer, one user and the China Chamber Of Commerce for Import & Export of Light Industrial Products & Arts-Crafts ('CCCLA') argued that the imports in question are not likely to seriously undermine the remedial effect of the definitive duty as the average unit price of imports had increased from 2018 to 2019.

(17) However, according to Eurostat, adjusted according to the methodology explained in recitals (21) to (24) below, the Commission found that the average unit price of GFF from the PRC and Egypt has dropped from 1,78 EUR/kg in 2015 to 1,54 EUR/kg in the investigation period of this investigation (1 January to 31 December 2018) ('the investigation period'). After the initiation of the investigation, between the end of February 2019 and September 2019, the unit price went up to 1,57 EUR/kg; however, this is still lower than the average unit price in 2015, 2016 or 2017 and significantly below the non-injurious price established in the complaint. These parties did not explain how in the view of the evidence contained in the complaint that increase

of unit price would make the imports in questions not likely to seriously undermine the remedial effect of the definitive duty. This claim was therefore rejected.

3.3. **Massive imports in a relatively short period of time**

(18) In the request for registration the complainant used Eurostat import statistics in order to demonstrate the magnitude of imports from the PRC and Egypt and how their average import price developed.

(19) One exporting producer, one user and the CCCLA argued that the request did not provide sufficient evidence required by Article 24(5) of the basic Regulation by wrongly adjusting and comparing the most recent import data to previous import statistics to show an increase of imports. They further argued that import data from China and Egypt should be analysed separately.

(20) The Commission noted that the request for registration, based on the data available to the complainant at the time of filing, contained sufficient evidence to justify such action. Also, the Commission noted that there is no provision in the basic Regulation stating that the data from each country should be analysed separately in cases where the subject imports are cumulated in accordance with Article 8(3) of the basic Regulation. In any case, for its analysis the Commission relied on its own data and not those provided by the complainant, and the data was analysed for both countries separately and cumulatively.

(21) The Commission found two specific issues that affect the methodology used to analyse the statistics in view of determining the value and volume of the GFF imported from the PRC and Egypt. The first relates to the CN codes, which the Commission took into consideration. The second issue relates to the TARIC codes, which the Commission considered under the relevant CN codes when analysing the data after initiation of the current investigation.

(22) When it comes to the classification, the complainant argued that the vast majority of GFF is classified only under CN codes 7019 39 00 and 7019 40 00 (‘the two relevant CN codes’), whereas imports under CN codes 7019 59 00 and 7019 90 00 mainly include other products, thus they were not analysed in the complaint. Nevertheless, the complainant believed that the some imports of GFF may be declared under those codes and therefore they considered it necessary to include them in order to cover all imports of the product concerned. The Commission therefore initiated the case indicating all four CN codes under the product description in the Notice of initiation.

(23) When analysing the imports, the complainant argued that the two most relevant CN codes also cover products other than GFF. Therefore, according to the complainant it was necessary to adjust the raw Eurostat data based on the market intelligence of the complainant and the companies supporting the complaint. The adjustment was relatively minor in the case of the PRC and unnecessary in the case of Egypt. The complainant’s estimates were confirmed by the replies received from exporting producers to the sampling forms and to the questionnaire.

(24) Pursuant to Article 24(5a) of the basic Regulation, at initiation, the Commission created specific TARIC codes under each of the four CN codes for GFF[(5)]. However, the investigation has shown that after the initiation of the investigation, importers of GFF predominantly used residual ('catch-all') TARIC codes under the two relevant CN codes[(6)] rather than the specific TARIC codes created for GFF. Faced with this situation, in its analysis the Commission used the data reported under TARIC codes created for GFF as well as the 'catch all' TARIC codes under the two relevant CN codes[(7)].

(25) Since the parallel anti-dumping investigation mentioned in recital (2) concerns import of the same product form the same countries, the date of initiation of that case, namely 21 February 2019, should be considered as beginning of the post initiation period to assess the evolution of imports. Import volumes from countries concerned develop in the following manner:

IMPORT VOLUMES FROM COUNTRIES CONCERNED (TONNES)

Country	**Monthly average (IP)**	**Post initiation[a]**	**Same period in the IP[b]**	**Monthly average (post-initiation)**	**ΔIP – post-initiation (total)**	**ΔIP – post-initiation (monthly average)**
The PRC	2 635	33 334	23 703	3 704	41 %	41 %
Egypt	1 249	12 522	11 735	1 391	7 %	11 %
Countries concerned	3 884	45 856	35 439	5 095	29 %	31 %

Source: Surveillance 2 database

a Post initiation of the anti-dumping case, namely March to November 2019

b March to November 2018

3.3.1. *Imports from the PRC*

(26) The complainant in its complaint provided evidence of massive imports of Chinese GFF into the Union between 1 January 2015 to 30 September 2018. Indeed, according to the complaint, during that period Chinese exporting producers had a market share of 17,8 % to 23,2 %. The average volume of monthly imports between March and November 2019 is around 41 % greater than that during the investigation period. The total quantity of Chinese GFF imported into the Union between March and November 2019 is 41 % greater than the total quantity imported during the same period in 2018.

3.3.2. *Imports from Egypt*