

**COMMISSION IMPLEMENTING REGULATION (EU) 2021/1805****of 12 October 2021****imposing a definitive anti-dumping duty on imports of wire rod originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council**

THE EUROPEAN COMMISSION,

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

Having regard to 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 <sup>(1)</sup> ('the basic Regulation') and in particular Article 11(2) thereof,

Whereas:

**1. PROCEDURE****1.1. Measures in force**

- (1) By Regulation (EC) No 703/2009 <sup>(2)</sup> the Council imposed a definitive anti-dumping duty on imports of wire rod originating in the People's Republic of China ('the original measures'). The investigation that led to the imposition of the original measures will hereinafter be referred to as 'the original investigation'.
- (2) By Implementing Regulation (EU) 2015/1846 <sup>(3)</sup>, the European Commission re-imposed the definitive anti-dumping measures on imports of wire rod originating in the People's Republic of China following an expiry review (the 'previous expiry review').
- (3) The measures imposed took the form of a country wide *ad valorem* duty rate at 24 % while one group of companies ('Valin Group') received an individual duty rate of 7,9 %.

**1.2. Request for an expiry review**

- (4) Following the publication of a notice of impending expiry <sup>(4)</sup>, the European Commission ('the Commission') received a request for a review pursuant to Article 11(2) of the basic Regulation.
- (5) The request for review was lodged on 14 July 2020 by the European Steel Association ('EUROFER') ('the applicant'), on behalf of Union producers representing around 60 % of the total Union production of wire rod. The request for review was based on the grounds that the expiry of the measures would likely result in recurrence of dumping and injury to the Union industry.

<sup>(1)</sup> OJ L 176, 30.6.2016, p. 21.

<sup>(2)</sup> Council Regulation (EC) No 703/2009 of 27 July 2009 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of wire rod originating in the People's Republic of China and terminating the proceeding concerning imports of wire rod originating in the Republic of Moldova and Turkey (OJ L 203, 5.8.2009, p. 1).

<sup>(3)</sup> Commission Implementing Regulation (EU) 2015/1846 of 14 October 2015 imposing a definitive antidumping duty on imports of wire rod originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 1225/2009 (OJ L 268, 15.10.2015, p. 9).

<sup>(4)</sup> Notice of the impending expiry of certain anti-dumping measures (OJ C 35, 3.2.2020, p. 3).

### 1.3. Initiation of an expiry review

- (6) Having determined, after consulting the Committee established by Article 15(1) of the basic Regulation, that sufficient evidence existed for the initiation of an expiry review, the Commission initiated, on 14 October 2020, an expiry review with regard to imports of wire rod originating in the People's Republic of China ('the PRC' or 'the country concerned') on the basis of Article 11(2) of the basic Regulation. It published a Notice of Initiation in the *Official Journal of the European Union* <sup>(5)</sup> ('the Notice of Initiation').

#### 1.3.1. Review investigation period and period considered

- (7) The review investigation period ('RIP') covered the period from 1 July 2019 to 30 June 2020. The examination of trends relevant for the assessment of the likelihood of a continuation or recurrence of injury covered the period from 1 January 2017 to the end of the review investigation period ('the period considered').

#### 1.3.2. Interested parties

- (8) In the Notice of Initiation, interested parties were invited to contact the Commission in order to participate in the investigation. In addition, the Commission specifically informed the applicant, other known Union producers, the known producers in the PRC and the authorities of the PRC, known importers, users and traders known to be concerned about the initiation of the expiry review investigation and invited them to participate.
- (9) Interested parties had an opportunity to comment on the initiation of the expiry review and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings. No interested party came forward with comments or requested a hearing.

#### 1.3.3. Sampling

- (10) In the Notice of Initiation, the Commission stated that it might sample interested parties in accordance with Article 17 of the basic Regulation.

##### 1.3.3.1. Sampling of Union producers

- (11) On 14 October 2020, the Commission informed interested parties that it had provisionally selected a sample of Union producers. It had selected the sample on the basis of the size of the production of the like product in the review investigation period. This sample consisted of 4 Union producers. The sampled Union producers accounted for almost 25 % of the estimated total production volumes of the like product in the Union and it also ensured a good geographical spread. In accordance with Article 17(2) of the basic Regulation, the Commission invited interested parties to comment on the provisional sample. No comments were received within the deadline of 7 days of the notification of the provisional sample and thus the provisional sample was confirmed. The sample is representative of the Union industry.

##### 1.3.3.2. Sampling of importers

- (12) In order to decide whether sampling was necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation.
- (13) None of the known importers that were contacted came forward and replied to the sampling form.

<sup>(5)</sup> Notice of initiation of an expiry review of the anti-dumping measures applicable to imports of wire rod originating in the People's Republic of China (OJ C 342, 14.10.2020, p. 23).

### 1.3.3.3. Sampling of exporting producers in the PRC

- (14) In order to decide whether sampling was necessary and, if so, to select a sample, the Commission asked all known producers of the product under review in the PRC to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the People's Republic of China to the European Union to identify and/or contact other producers, if any, that could be interested in participating in the investigation.
- (15) No company from the PRC came forward within the time limit. Consequently, the Commission informed the authorities of the PRC by Note Verbale of 29 October 2020 that it intended to resort to the use of facts available under Article 18 of the basic Regulation when examining the continuation and/or recurrence of dumping. The authorities of the PRC did not respond.

### 1.3.4. Questionnaires and verification visits

- (16) The Commission sent a questionnaire to the government of the PRC ('GOC'). The GOC did not provide any reply to the questionnaire.
- (17) Without prejudice to the application of Article 18 of the basic Regulation, the Commission verified all information it deemed necessary for a determination of the likelihood of continuation or recurrence of dumping and injury, and of the Union interest.
- (18) It also sent questionnaires to the sampled Union producers and one user that came forward. The same questionnaires had also been made available online on the day of initiation.
- (19) The Commission received questionnaire replies from the four sampled Union producers, the Union producers' association and one user.
- (20) In view of the outbreak of COVID-19 and the confinement measures put in place by various Member States as well as by various third countries, the Commission could not carry out verification visits pursuant to Article 16 of the basic Regulation at the premises of the following cooperating legal entities.

#### **Union producers**

- Saarlöh AG, Germany
- Riva Acier S.A.S., France
- Moravia Steel a.s., Czech Republic
- Ferriere Nord S.p.A., Italy

#### **User**

- AGRATI France S.A.S., France

- (21) The Commission hence considered the information properly submitted by the parties (such as questionnaire replies or replies to deficiency letters) in line with the Notice of 16 March 2020 on the consequences of the COVID-19 outbreak on anti-dumping and anti-subsidy investigations <sup>(6)</sup>.

## 2. PRODUCT UNDER REVIEW AND LIKE PRODUCT

### 2.1. Product under review

- (22) The product under review is the same as in the original investigation and the previous expiry review namely bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel originating in the People's Republic of China, currently falling under CN codes 7213 10 00, 7213 20 00, 7213 91 10, 7213 91 20, 7213 91 41, 7213 91 49, 7213 91 70, 7213 91 90, 7213 99 10, 7213 99 90, 7227 10 00, 7227 20 00, 7227 90 10, 7227 90 50 and 7227 90 95 ('the product under review').

<sup>(6)</sup> Notice on the consequences of the COVID-19 outbreak on anti-dumping and anti-subsidy investigations (OJ C 86, 16.3.2020, p. 6).

## 2.2. Like product

- (23) As established in the original investigation as well as in the previous expiry review, this expiry review investigation confirmed that the following products have the same basic physical, chemical and technical characteristics as well as the same basic uses:
- the product under review;
  - the product produced and sold on the domestic market of the PRC;
  - the product produced and sold in the Union by the Union industry.
- (24) These products are therefore considered to be like products within the meaning of Article 1(4) of the basic Regulation.
- (25) On 17 June 2021, the Commission disclosed the essential facts and considerations on the basis of which it intended to maintain the anti-dumping duties in force. All parties were granted a period within which they could make comments on the disclosure.
- (26) Only Eurofer submitted comments. It agreed with the conclusions reached by the Commission.

## 3. DUMPING

- (27) In accordance with Article 11(2) of the basic Regulation the Commission examined whether the expiry of the measures in force would likely lead to a continuation or recurrence of dumping from the PRC.

### 3.1. Procedure for the determination of the normal value under Article 2(6a) of the basic Regulation

- (28) Given the sufficient evidence available at the initiation of the investigation pointing to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation, the Commission initiated the investigation on the basis of Article 2(6a) of the basic Regulation.
- (29) Consequently, in order to collect the necessary data for the eventual application of Article 2(6a) of the basic Regulation, in the Notice of Initiation the Commission invited producers of the PRC to provide information regarding the inputs used for producing the product under review. No producers submitted the information requested in Annex III to the Notice of Initiation.
- (30) In order to obtain information it deemed necessary for its investigation with regard to the alleged significant distortions, the Commission also sent a questionnaire to the GOC. In addition, in point 5.3.2 of the Notice of Initiation, the Commission invited all interested parties to make their views known, submit information and provide supporting evidence regarding the application of Article 2(6a) of the basic Regulation within 37 days of the date of publication of the Notice of Initiation in the *Official Journal of the European Union*. No questionnaire reply was received from the GOC and no submission on the application of Article 2(6a) of the basic Regulation was received within the deadline.
- (31) In the Notice of Initiation, the Commission also specified that, in view of the evidence available, it might need to select an appropriate representative country pursuant to Article 2(6a)(a) of the basic Regulation for the purpose of determining the normal value based on undistorted prices or benchmarks.
- (32) On 25 November 2020, the Commission issued a first note for the file ('the first FoP Note') seeking the views of the interested parties on the relevant sources that the Commission may use for the determination of the normal value, in accordance with Article 2(6a)(e) second indent of the basic Regulation. In that note, the Commission provided a list of all factors of production such as materials, energy and labour used in the production of the product under review by the exporting producers. In addition, based on the criteria guiding the choice of undistorted prices or benchmarks, the Commission identified three possible representative countries: Thailand, Turkey and Peru.

- (33) The Commission invited interested parties to submit comments. Comments were received from the applicant only, who provided arguments against the use of Turkey as representative country. The applicant also submitted that Peru would be the best choice for representative country.
- (34) The Commission addressed these comments in its second note for the file of 7 January 2021 <sup>(7)</sup> ('the second FoP Note'). The Commission also established the list of factors of production and concluded that, at that stage, Peru was the most appropriate representative country under Article 2(6a)(a), first indent of the basic Regulation. It also informed interested parties that it would establish selling, general and administrative costs ('SG&A') and profits based on available information for the company Corporación Aceros Arequipa S.A. ('Aceros Arequipa'), a producer in the representative country. The Commission invited the interested parties to comment. The Commission did not receive any comments objecting to the choice of Peru as the representative country.

### 3.2. Non-cooperation from the People's Republic of China

- (35) As mentioned in recital (15), no Chinese exporting producer cooperated in the investigation.
- (36) The GOC also did not cooperate with the Commission in this investigation. Notably, it did not provide any questionnaire reply nor did it address the evidence on the case file provided by the applicant, including the 'Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence Investigations' ('the Report') <sup>(8)</sup>. Indeed, pursuant to Article 2(6a)(c) of the basic Regulation, the Commission has issued the Report collecting information about 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). The Report was placed in the investigation file at the initiation stage. The review request also contained some relevant evidence complementing the Report. Interested parties were invited to rebut, comment or supplement the evidence contained in the investigation file at the time of initiation.
- (37) By Notes Verbales of 29 October 2020 and of 23 November 2020, the Commission informed the GOC that, due to the absence of any cooperation from exporters/producers in the PRC and the absence of a questionnaire reply or comments from the GOC, it intended to base its findings on facts available in accordance with Article 18 of the basic Regulation. The Commission also stressed that a finding based on facts available may be less favourable to the party concerned and invited the GOC to comment. No comments were provided.
- (38) Therefore, in accordance with Article 18(1) of the basic Regulation, the findings in relation to the likelihood of continuation or recurrence of dumping set out below were based on facts available. In particular, the Commission relied on the information contained in the request for review and the submissions by interested parties, combined with other sources of information such as trade statistics on imports and exports (e.g. from Eurostat and Global Trade Atlas ('GTA') <sup>(9)</sup>), as well as databases such as Dun and Bradstreet <sup>(10)</sup> and Orbis Bureau van Dijk <sup>(11)</sup>.

### 3.3. Normal Value

- (39) In recent investigations concerning the steel sector in the PRC <sup>(12)</sup>, the Commission found that significant distortions in the sense of Article 2(6a)(b) of the basic Regulation were present. The Commission concluded in this investigation that, based on the evidence available, the application of Article 2(6a) of the basic Regulation was also appropriate.

<sup>(7)</sup> This note was a revised version of the second note of 22 December 2020, as due to an administrative error, the first version had inadvertently not taken the applicant's comments into account.

<sup>(8)</sup> Commission staff working document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations of 20.12.2017, SWD (2017) 483 final.

<sup>(9)</sup> [https://www.gtis.com/gta/secure/htscty\\_wta.cfm](https://www.gtis.com/gta/secure/htscty_wta.cfm)

<sup>(10)</sup> <https://www.dnb.com/>

<sup>(11)</sup> <https://orbis4.bvdinfo.com/version-201866/orbis/Companies>

<sup>(12)</sup> Commission Implementing Regulation (EU) 2021/635 of 16 April 2021 imposing a definitive anti-dumping duty on imports of certain welded pipes and tubes of iron or non-alloyed steel originating in Belarus, the People's Republic of China and Russia following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 132, 19.4.2021, p. 145) and Commission Implementing Regulation (EU) 2020/508 of 7 April 2020 imposing a provisional anti-dumping duty on imports of certain hot rolled stainless steel sheets and coils originating in Indonesia, the People's Republic of China and Taiwan (OJ L 110, 8.4.2020, p. 3).

- (40) In those investigations, the Commission found that there is substantial government intervention in the PRC resulting in a distortion of the effective allocation of resources in line with market principles<sup>(13)</sup>. In particular, the Commission concluded that in the steel sector, which is the main raw material to produce the product under review, not only does a substantial degree of ownership by the GOC persist in the sense of Article 2(6a)(b), first indent of the basic Regulation<sup>(14)</sup>, but the GOC is also in a position to interfere with prices and costs through State presence in firms in the sense of Article 2(6a)(b), second indent of the basic Regulation<sup>(15)</sup>. The Commission further found that the State's presence and intervention in the financial markets, as well as in the provision of raw materials and inputs have an additional distorting effect on the market. Indeed, overall, the system of planning in the PRC results in resources being concentrated in sectors designated as strategic or otherwise politically important by the GOC, rather than being allocated in line with market forces<sup>(16)</sup>. Moreover, the Commission concluded that the Chinese bankruptcy and property laws do not work properly in the sense of Article 2(6a)(b), fourth indent of the basic Regulation, thus generating distortions in particular when maintaining insolvent firms afloat and when allocating land use rights in the PRC<sup>(17)</sup>. In the same vein, the Commission found distortions of wage costs in the steel sector in the sense of Article 2(6a)(b), fifth indent of the basic Regulation<sup>(18)</sup>, as well as distortions in the financial markets in the sense of Article 2(6a)(b), sixth indent of the basic Regulation, in particular concerning access to capital for corporate actors in the PRC<sup>(19)</sup>.
- (41) Like in previous investigations concerning the steel sector in the PRC, the Commission examined in the present investigation whether it was appropriate or not to use domestic prices and costs in the PRC, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation. The Commission did so on the basis of the evidence available on the file, including the evidence contained in the request, as well as in the Report, which relies on publicly available sources. That analysis covered the examination of the substantial government interventions in the PRC's economy in general, but also the specific market situation in the relevant sector including the product under review. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in the PRC as also found by its previous investigations in this respect.
- (42) The request contained information on the distortive effects of the 13th Five-Year Steel Plan on the steel industry. Furthermore, it mentioned the findings by the US Department of Commerce concerning the steel industry<sup>(20)</sup>. In addition, it underlined the role of the CCP in the SOEs<sup>(21)</sup> and the distortive effects of subsidies, as reported in the IMF Country Report No 17/248 and three documents by the EU Chamber of Commerce: the 2016/2017 Annual Report, the China Manufacturing 2025 and the European Business in China Position Paper 2016/2017. The request

<sup>(13)</sup> See Implementing Regulation (EU) 2021/635 recitals 149 and 150 and Implementing Regulation (EU) 2020/508 recitals 158 and 159.

<sup>(14)</sup> See Implementing Regulation (EU) 2021/635 recitals 115 to 118 and Implementing Regulation (EU) 2020/508 recitals 122 to 127.

<sup>(15)</sup> See Implementing Regulation (EU) 2021/635 recitals 119 to 122 and Commission Implementing Regulation (EU) 2020/508 recitals 128 to 132: While the right to appoint and to remove key management personnel in SOEs by the relevant State authorities, as provided for in the Chinese legislation, can be considered to reflect the corresponding ownership rights, CCP cells in enterprises, state owned and private alike, represent another important channel through which the State can interfere with business decisions. According to the PRC's company law, a CCP organisation is to be established in every company (with at least three CCP members as specified in the CCP Constitution) and the company shall provide the necessary conditions for the activities of the party organisation. In the past, this requirement appears not to have always been followed or strictly enforced. However, since at least 2016 the CCP has reinforced its claims to control business decisions in SOEs as a matter of political principle. The CCP is also reported to exercise pressure on private companies to put 'patriotism' first and to follow party discipline. In 2017, it was reported that party cells existed in 70 % of some 1,86 million privately owned companies, with growing pressure for the CCP organisations to have a final say over the business decisions within their respective companies. These rules are of general application throughout the Chinese economy, across all sectors, including to the producers of wire rod producers and the suppliers of their inputs.

<sup>(16)</sup> See Implementing Regulation (EU) 2021/635 recitals 123 to 129 and Commission Implementing Regulation (EU) 2020/508 recitals 133 to 138.

<sup>(17)</sup> See Implementing Regulation (EU) 2021/635 recitals 130 to 133 and Commission Implementing Regulation (EU) 2020/508 recitals 139 to 142.

<sup>(18)</sup> See Implementing Regulation (EU) 2021/635 recitals 134 and 135 and Commission Implementing Regulation (EU) 2020/508 recitals 143 and 144.

<sup>(19)</sup> See Implementing Regulation (EU) 2021/635 recitals 136 to 145 and Commission Implementing Regulation (EU) 2020/508 recitals 145 to 154.

<sup>(20)</sup> The request quoted the United States Department of Commerce, China's status as a non-market economy, A-570-053, 26 October 2017, p. 57.

<sup>(21)</sup> The complaint quoted Financial Times: *China's Communist Party writes itself into company law*, 14 August 2017.

further asserted that the inputs used to make wire rod are essentially the same as those used to make hot-rolled flat ('HRF') carbon steel. Therefore, the request quoted the findings made by the Commission in Regulation (EU) 2017/969<sup>(22)</sup> concerning the subsidies for HRF producers. The request added that the findings on distortive subsidies were also confirmed by a ThinkDesk Report<sup>(23)</sup>. The request listed in particular distortions concerning Land Use Rights, energy (electricity), preferential loans and other financial support and labour. Furthermore, it listed distortions in the market for coke and coking coal, iron ore and scrap and ferro-alloys. Finally, the request mentioned the distortive effects of the fiscal support for the steel industry and low environmental standards in China.

- (43) As indicated in recital (37), the GOC did not comment or provide evidence supporting or rebutting the existing evidence on the case file, including the Report and the additional evidence provided by the complainant, on the existence of significant distortions and/or on the appropriateness of the application of Article 2(6a) of the basic Regulation in the case at hand.
- (44) Like in previous investigations concerning the steel sector in the PRC, the Commission examined whether it was appropriate or not to use domestic prices and costs in the PRC, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation. The Commission did so on the basis of the evidence available on the file, including the evidence contained in the Report, which relies on publicly available sources. That analysis covered the examination of the substantial government interventions in the PRC's economy in general, but also the specific market situation in the relevant sector including the product under review. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in the PRC as also found by its previous investigations in this respect.
- (45) Specifically in the steel sector, which is the main raw material to produce wire rod, a substantial degree of ownership by the GOC persists. Many of the largest producers are owned by the State. Some are specifically referred to in the 'Steel Industry Adjustment and Upgrading plan for 2016-2020'. For instance, the Chinese State-owned Shanxi Taiyuan Iron & Steel Co. Ltd ('Tisco') mentions on its website that it is 'a super iron and steel giant', which 'developed into an extraordinary large-scale iron and steel complex, which is integrated with business of iron mining, iron and steel production, processing, delivery and trading'<sup>(24)</sup>. Baosteel is another major Chinese State-owned enterprise that engages in steel manufacturing and is part of the recently consolidated China Baowu Steel Group Co. Ltd (formerly Baosteel Group and Wuhan Iron & Steel)<sup>(25)</sup>. While the nominal split between the number of SOEs and privately owned companies is estimated to be almost even, from the five Chinese steel producers ranked in the top 10 of the world's largest steel producers, four are SOEs<sup>(26)</sup>. At the same time, while the top ten producers only took up some 36 % of total industry output in 2016, the GOC set the target in the same year to consolidate 60 % to 70 % of steel production to around ten large-scale enterprises by 2025<sup>(27)</sup>. This intention has been repeated by the GOC in April 2019, announcing a release of guidelines on steel industry consolidation<sup>(28)</sup>. Such consolidation may entail forced mergers of profitable private companies with underperforming SOEs<sup>(29)</sup>. Since there was no cooperation from Chinese exporters of wire rods, the exact ratio of the private and state owned wire rods producers could not be determined. However, the investigation revealed that in the wire rod sector a number of large producers are SOEs, including Baoshan, Shougang, Hesteel, Jiangsu Shagang and Anshan Iron and Steel Group.

<sup>(22)</sup> Commission Implementing Regulation (EU) 2017/969 of 8 June 2017 imposing definitive countervailing duties on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China and amending Commission Implementing Regulation (EU) 2017/649 imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China (OJ L 146, 9.6.2017, p. 17).

<sup>(23)</sup> ThinkDesk Report, 'Analysis of state-business interaction and subsidization in the hot-rolled flat (HRF) segment of the Chinese steel industry', 28 February 2016.

<sup>(24)</sup> TISCO, 'Company profile', <http://en.tisco.com.cn/CompanyProfile/20151027095855836705.html> (last viewed 2 March 2020).

<sup>(25)</sup> Baowu, 'Company profile', <http://www.baowugroup.com/en/contents/5273/102759.html> (last viewed 6 May 2021).

<sup>(26)</sup> Report – Chapter 14, p. 358: 51 % private and 49 % SOEs in terms of production and 44 % SOEs and 56 % private companies in terms of capacity.

<sup>(27)</sup> Available at: [www.gov.cn/zhengce/content/2016-02/04/content\\_5039353.htm](http://www.gov.cn/zhengce/content/2016-02/04/content_5039353.htm) (last viewed 6 May 2021); [https://polycn.com/policy\\_ticker/higher-expectations-for-large-scale-steel-enterprise?iframe=1&secret=c8uthafuthefra4e](https://polycn.com/policy_ticker/higher-expectations-for-large-scale-steel-enterprise?iframe=1&secret=c8uthafuthefra4e) (last viewed 6 May 2021), and [www.xinhuanet.com/english/2019-04/23/c\\_138001574.htm](http://www.xinhuanet.com/english/2019-04/23/c_138001574.htm) (last viewed 6 May 2021).

<sup>(28)</sup> Available at [http://www.xinhuanet.com/english/2019-04/23/c\\_138001574.htm](http://www.xinhuanet.com/english/2019-04/23/c_138001574.htm) (last viewed 6 May 2021) and [http://www.jjckb.cn/2019-04/23/c\\_137999653.htm](http://www.jjckb.cn/2019-04/23/c_137999653.htm) (last viewed 6 May 2021).

<sup>(29)</sup> As was the case of the merger between the private company Rizhao and the SOE Shandong Iron and Steel in 2009. See Beijing steel report, p. 58, and the acquired majority stake of China Baowu Steel Group in Magang Steel in June 2019, see <https://www.ft.com/content/a7c93fae-85bc-11e9-a028-86cea8523dc2> (last viewed 6 May 2021).

- (46) As to the GOC being in a position to interfere with prices and costs through State presence in firms in the sense of Article 2(6a)(b), second indent of the basic Regulation, the investigation established the existence of personal connections between producers of the product under review and the CCP, such as CCP members among the senior management or members of the board of directors in a number of companies manufacturing wire rod, including HBIS Group, Jiangsu Shagang, Anshan Iron and Steel Group, Baoshan (Baosteel) and Shougang.
- (47) Both public and privately owned enterprises in the wire rod sector are subject to policy supervision and guidance. The following examples illustrate the above trend of an increasing level of intervention by the GOC in the sector. Many wire rod producers explicitly emphasise party building activities on their websites, have party members in the company management and underline their affiliation to the CCP. The investigation revealed party building activities in a number of wire rod producers, including HBIS Group (Hesteel), which underlined on its website the importance of the party committee in the functioning of the company. Jiangsu Shagang is another wire rod producing company who explains: 'Since its establishment 45 years ago, Shagang has kept deepening its knowledge, seeking to deploy efforts to integrate party building work into the overall enterprise's development organisation, and transforming the party's organization's advantage into the enterprise's competitive advantage and development advantage' and further: 'Now, Shagang's Party Committee has 16 general party branches and 66 party branches, and the number of party members accounts for more than 14 % of the total number of employees <sup>(30)</sup>'. Anshan Iron and Steel Group refers to the importance of the party building activities in the following way: 'Concretely, it is necessary to adhere to and strengthen the comprehensive leadership of the Party and have it reflected in the extended scope of the Party members and cadres' ideological awareness, in the whole field of the enterprise's business and management, in the whole process of corporate governance, as well as in all the stages of the enterprise's reform and development <sup>(31)</sup>'. Another article summarises Anshan's party building activities in the following way: 'the party branch's work priority is to serve the centre and involve party members. As of this year, the party branch has deepened the "Communist Party Member Project" programme, tapped the inner potential of employees, and worked hard to help employees make contributions in their posts. They have developed a total of 12 "Communist Party Member Projects", which effectively solved key technical problems restricting production; 160 rationalization suggestions were provided, and 2 advanced operation methods were rated as advanced operation methods at the Group's level' <sup>(32)</sup>. Baoshan (Baosteel) describes the party building activities as follows: 'Undertake the main responsibility of administering the party strictly and comprehensively; Lead the company's ideological and political work, united front work, building of a spiritual civilisation,, building of a corporate culture and mass work such as trade unions and the Communist Youth League; Lead the construction of party-style and honest government, support discipline committees to effectively fulfils their supervisory responsibilities <sup>(33)</sup>'. The party committee also plays an important role at Shougang: 'The Shougang Party Committee deeply understands Xi Jinping's thoughts on socialism with Chinese characteristics in the new era, thoroughly implements the spirit of the 19th National Congress of the Party, insists on setting the direction, managing the overall situation, and ensuring implementation, giving full play to the leadership role of the party committee, leading more than 40 000 party members across the Group, and focusing on party building in all aspects of work <sup>(34)</sup>'.
- (48) Further, policies discriminating in favour of domestic producers or otherwise influencing the market in the sense of Article 2(6a)(b), third indent of the basic Regulation are in place in the wire rod sector.
- (49) Even though wire rod is a specialised industry and no specific policy documents guiding specifically the development of the wire rod industry as such could be identified during the investigation, the wire rod industry benefits from governmental guidance and intervention concerning the main raw materials to manufacture wire rod, namely iron and non-alloy steel.

<sup>(30)</sup> See press report by Xinhua Network: 'Shagang Group: Party building leads to high-quality development and creates a model for party building in non-public enterprises', 25 December 2020, [http://www.js.xinhuanet.com/2020-12/25/c\\_1126907346.htm](http://www.js.xinhuanet.com/2020-12/25/c_1126907346.htm) (last viewed on 6 May 2021).

<sup>(31)</sup> See the article on the Anshan website: 'Anshan Iron and Steel builds and strengthens the party building work model', 13 June 2018: <http://www.ansteelgroup.com/ddjs/2020-03-26-02-58-29/3167-2020-04-26-02-24-53> (last viewed on 6 May 2021).

<sup>(32)</sup> See the article published on the Anshan website: 'Keep employees' passion for entrepreneurship', 14 January 2019: <http://www.ansteelgroup.com/ddjs/2020-03-26-02-58-29/3166-bczggscydjq> (last viewed of 6 May 2021).

<sup>(33)</sup> See Articles of Association of Baoshan, Article 133.4: [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2021-01-08/600019\\_20210108\\_8.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2021-01-08/600019_20210108_8.pdf) (last viewed 6 May 2021).

<sup>(34)</sup> See Shougang's website: <https://www.shougang.com.cn/sgweb/html/ddjs/> (last viewed 6 May 2021).



The steel industry is regarded as a key industry by the GOC <sup>(35)</sup>. This is confirmed in the numerous plans, directives and other documents focused on steel, which are issued at national, regional and municipal level such as the ‘Steel Industry Adjustment and Upgrading plan for 2016-2020’, valid during the IP period. This Plan stated that the steel industry is ‘an important, fundamental sector of the Chinese economy, a national cornerstone <sup>(36)</sup>’. The main tasks and objectives set out in this Plan cover all aspects of the development of the industry <sup>(37)</sup>. The 13th Five-Year Plan on Economic and Social Development <sup>(38)</sup>, applicable during the IP, envisaged support to enterprises producing high-end steel product types <sup>(39)</sup>. It also focuses on achieving product quality, durability and reliability by supporting companies using technologies related to clean steel production, precision rolling and quality improvement <sup>(40)</sup>. The ‘Catalogue for Guiding Industry Restructuring (2011 Version) (2013 Amendment)’ <sup>(41)</sup> (‘the Catalogue’) lists steel as an encouraged industry.

- (50) The other important raw material used for the production of wire rod is iron. Iron ore was covered by the National Mineral Resource Plan 2016-20 during the IP period. The plan envisaged, among others, to ‘ensure enterprise concentration and develop large and medium sized mines competitive on the market’, ‘ensure guidance of local resources so as to concentrate them towards large-sized mining groups’, ‘reduce the burden on iron ore enterprises, raise the competitiveness of domestic iron ore enterprises’, ‘adequately control the development of 1 000 meter-deep mines and small-scale low-grade iron ore mines’.
- (51) Iron ore is also mentioned in the 13th FYP on Steel 2016-20, which was in force during the review investigation period. The plan envisages for iron ore: ‘keep on supporting exploration works in domestic key mineral areas, [...], support a number of existing and strongly competitive domestic iron ore enterprises, thanks to a wider and intensified development, [...], and to strengthen the role of domestic mineral resources bases as regards security (of supplies)’.
- (52) Iron ore is classified as a Strategic Emerging Industry (‘SEI’) and therefore covered by the 13th FYP on SEIs. Iron ore, pig iron and ferroalloys are also all listed in the NDRC Guiding Catalogue for Industry Adjustment 2019. Ferroalloys are mentioned in the 2018 MIIT Guiding Catalogue for Industry Development and Transfer.
- (53) As can be seen from the above examples concerning steel, iron and ferroalloys, which are all important raw materials to produce wire rod, the GOC further guides the development of the wire rod sector in accordance with a broad range of policy tools and directives and controls virtually every aspect in the development and functioning of the sector. Thus, the wire rod industry benefits from governmental guidance and intervention concerning the main raw materials to manufacture wire rod, namely iron and non-alloy steel.
- (54) In addition to the above, the wire rod producers are also beneficiaries of state subsidies, which clearly indicates the interest of the state in this sector. During the investigation, the Commission established that a number of wire rod producers benefited from direct state subsidies, including HBIS Group <sup>(42)</sup>, Jiangsu Shagang <sup>(43)</sup>, Anshan Iron and Steel Group <sup>(44)</sup>, Baoshan/Baosteel <sup>(45)</sup> and Shougang <sup>(46)</sup>.

<sup>(35)</sup> Report, Part III, Chapter 14, p. 346 ff.

<sup>(36)</sup> Introduction to The Plan for Adjusting and Upgrading the Steel Industry.

<sup>(37)</sup> Report, Chapter 14, p. 347.

<sup>(38)</sup> The 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China (2016-20), available at [https://en.ndrc.gov.cn/newsrelease\\_8232/201612/P020191101481868235378.pdf](https://en.ndrc.gov.cn/newsrelease_8232/201612/P020191101481868235378.pdf) (last viewed 6 May 2021).

<sup>(39)</sup> Report – Chapter 14, p. 349.

<sup>(40)</sup> Report – Chapter 14, p. 352.

<sup>(41)</sup> Catalogue for Guiding Industry Restructuring (2011 Version) (2013 Amendment) issued by Order No 9 of the National Development and Reform Commission on 27 March 2011, and amended in accordance with the Decision of the National Development and Reform Commission on Amending the Relevant Clauses of the Catalogue for Guiding Industry Restructuring (2011 Version) issued by Order No 21 of the National Development and Reform Commission on 16 February 2013.

<sup>(42)</sup> See the 2018 annual report, page 66: [http://pdf.dfcfw.com/pdf/H2\\_AN201908201344693765\\_1.pdf](http://pdf.dfcfw.com/pdf/H2_AN201908201344693765_1.pdf)

<sup>(43)</sup> See the 2019 annual report, pages 62 and 67: [https://www.shclearing.com/xxpl/cwbg/nb/202006/t20200630\\_705111.html](https://www.shclearing.com/xxpl/cwbg/nb/202006/t20200630_705111.html)

<sup>(44)</sup> See the 2019 annual report, page 93: [https://www.shclearing.com/xxpl/cwbg/nb/202005/t20200529\\_691364.html](https://www.shclearing.com/xxpl/cwbg/nb/202005/t20200529_691364.html) and the 2018 annual report, page 104: [http://pdf.dfcfw.com/pdf/H2\\_AN201905011325247353\\_1.pdf](http://pdf.dfcfw.com/pdf/H2_AN201905011325247353_1.pdf)

<sup>(45)</sup> See the 2019 annual report, pages 181 and 187: <http://static.cninfo.com.cn/finalpage/2020-04-29/1207654234.PDF>

<sup>(46)</sup> See the 2019 annual report, pages 121 and 129: <https://www.shougang.com.cn/u/cms/www/202004/29163130go9a.pdf>

- (55) In sum, the GOC has measures in place to induce operators to comply with the public policy objectives of supporting encouraged industries, including the production of steel, iron and ferroalloys as the main raw materials used in the manufacturing of wire rod. Such measures impede market forces from operating freely.
- (56) The present investigation has not revealed any evidence that the discriminatory application or inadequate enforcement of bankruptcy and property laws according to Article 2(6a)(b), fourth indent of the basic Regulation in the wire rod sector referred to above in recital (40) would not affect the manufacturers of the product under review.
- (57) The wire rod sector is also affected by the distortions of wage costs in the sense of Article 2(6a)(b), fifth indent of the basic Regulation, as also referred to above in recital (40). Those distortion affect the sector both directly (when producing the product under review or the main inputs), as well as indirectly (when having access to capital or inputs from companies subject to the same labour system in the PRC) <sup>(47)</sup>.
- (58) Moreover, no evidence was submitted in the present investigation demonstrating that the wire rod sector is not affected by the government intervention in the financial system in the sense of Article 2(6a)(b), sixth indent of the basic Regulation, as also referred to above in recital (40). Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.
- (59) Finally, the Commission recalls that in order to produce wire rod, a number of inputs is needed. When the producers of wire rod purchase or/contract for these inputs, the prices they paid (and which are recorded as their costs) are exposed to the same systemic distortions mentioned before. For instance, suppliers of inputs employ labour that is subject to the distortions, they may borrow money that is subject to the distortions on the financial sector/capital allocation and they are subject to the planning system that applies across all levels of government and sectors.
- (60) As a consequence, not only the domestic sales prices of wire rod are not appropriate for use within the meaning of Article 2(6a)(a) of the basic Regulation, but all the input costs (including raw materials, energy, land, financing, labour, etc.) are also affected because their price formation is affected by substantial government intervention, as described in Parts A and B of the Report. Indeed, the government interventions described in relation to the allocation of capital, land, labour, energy and raw materials are present throughout the PRC. This means, for instance, that an input that in itself was produced in the PRC by combining a range of factors of production is exposed to significant distortions. The same applies for the input to the input and so forth.
- (61) No evidence or argument to the contrary has been adduced by the GOC or the exporting producers in the present investigation.
- (62) In sum, the evidence available showed that prices or costs of the product under review, including the costs of raw materials, energy and labour, are not the result of free market forces because they are affected by substantial government intervention within the meaning of Article 2(6a)(b) of the basic Regulation as shown by the actual or potential impact of one or more of the relevant elements listed therein. On that basis, and in the absence of any cooperation from the GOC, the Commission concluded that it is not appropriate to use domestic prices and costs to establish normal value in this case. Consequently, the Commission proceeded to construct the normal value exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks, that is, in this case, on the basis of corresponding costs of production and sale in an appropriate representative country, in accordance with Article 2(6a)(a) of the basic Regulation, as discussed in the following section.

### 3.3.1. Representative Country

#### 3.3.1.1. General remarks

- (63) The choice of the representative country was based on the following criteria pursuant to Article 2(6a) of the basic Regulation:
- A level of economic development similar to the PRC. For this purpose, the Commission used countries with a gross national income per capita similar to the PRC on the basis of the database of the World Bank <sup>(48)</sup>,

<sup>(47)</sup> See Commission Implementing Regulation (EU) 2021/635 recitals 134-135 and Commission Implementing Regulation (EU) 2020/508 recitals 143-144.

<sup>(48)</sup> World Bank Open Data – Upper Middle Income, <https://data.worldbank.org/income-level/upper-middle-income>, last accessed 13 October 2020.

- Production of the product under review in that country;
- Availability of relevant public data in the representative country, and
- 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.

(64) As explained in Section 3.1, the Commission issued two notes for the file on the sources for the determination of the normal value, informing parties that it intended to use Peru as a representative country.

#### 3.3.1.2. Sources used to establish undistorted costs

(65) Based on the decision to use Peru as the representative country, the Commission informed the interested parties in the second FoP Note that it would use GTA <sup>(49)</sup> to establish the undistorted costs of most of the factors of production. In addition, it would use data from the Peruvian Supervisory Agency for the Investment in Energy and Mining (Osinermin) <sup>(50)</sup> for industrial prices for natural gas and electricity, from the National Supervisory Agency for Sanitation Services (Sunass) <sup>(51)</sup> for the price of industrial use of water and from the ILO <sup>(52)</sup> for the cost of labour. It also referred to the financial data of the Peruvian company Aceros Arequipa <sup>(53)</sup> to establish the undistorted SG&A and profit.

#### 3.3.2. Undistorted costs and benchmarks

##### 3.3.2.1. Data used for the construction of normal value

- (66) The Commission established a list of factors of production and sources intended to be used for all factors of production such as materials, energy and labour used in the production of the product under review by the exporting producers. The Commission did not receive any comments concerning the list of factors of production.
- (67) Considering the information available in the file, based on the review request and subsequent information submitted by the applicant, the following factors of production and HS codes, where applicable, were identified:

Table 1

#### Factors of production and sources of information

Factor of Production	HS codes	Value (RMB)	Unit
<b>Raw Materials</b>			
Billets – semi-finished products of iron or non-alloy steel	7207 11	3,23	kg
	7207 20	3,23	
<b>Labour</b>			
Labour wages in manufacturing sector	[N/A]	23,684	Hours
<b>Energy</b>			
Electricity	[N/A]	0,441-0,492 <sup>(54)</sup>	kWh
Natural Gas	[N/A]	0,733–0,819 <sup>(55)</sup>	m <sup>3</sup>
Water	[N/A]	4,84	m <sup>3</sup>

<sup>(49)</sup> See recital (38).

<sup>(50)</sup> <https://www.osinermin.gob.pe/seccion/institucional/regulacion-tarifaria/pliegos-tarifarios/electricidad>, last accessed 20 January 2021, <https://www.osinermin.gob.pe/seccion/institucional/regulacion-tarifaria/pliegos-tarifarios/gas-natural>, last accessed 20 January 2021.

<sup>(51)</sup> <https://www.sunass.gob.pe/prestadores/empresas-prestadoras/estudios-tarifarios/>, last accessed 20 January 2021.

<sup>(52)</sup> <https://ilostat.ilo.org/topics/labour-costs/>, last accessed 20 January 2021.

<sup>(53)</sup> See recital (28).

<sup>(54)</sup> Monthly prices falling within these ranges.

<sup>(55)</sup> Monthly prices falling within these ranges.

**By product/waste**

Waste and Scrap	7204 10	2,39	kg
	7204 41	2,39	
	7204 29	2,82	
	7204 49	1,96	

## 3.3.2.2. Raw materials and scrap

- (68) As explained in the first FoP Note, the information available to the Commission from the review request and the previous expiry and original investigations indicates that Chinese wire rod producers generally have two distinct processes to produce wire rod. The first is the integrated blast furnace process, where a company produces billets from raw materials, which are subsequently reworked into wire rod. The second is the electric arc furnace process which does not start with raw materials but with billets, which are reworked into wire rod. In the absence of cooperation of any Chinese producer of wire rod and given the availability of the information and facts available, the Commission based its analysis of factors of production only on the non-integrated production process starting from billets.
- (69) For the raw materials and scrap, the Commission relied on import prices in Peru. The import price in the representative country was determined as a weighted average of unit prices of imports from all third countries excluding China <sup>(56)</sup>. The Commission decided to exclude imports from China into Peru due to the existence of significant distortions in accordance with Article 2(6a)(b) of the basic Regulation. Given that there is no evidence showing that the same distortions do not equally affect products intended for export, the Commission considered that the same distortions affected these prices.
- (70) For one type of billets (HS code 7207 11) and two types of scrap (HS codes 7204 10 and 7204 41) there were no or insignificant quantities of imports into Peru during the review investigation period. This meant that there was either no import price, or a non-representative import price due to the low import quantities. In order to establish an undistorted price for these factors of production, the Commission examined to which extent price levels differ between the two types of billets and between the four types of scrap, respectively. In doing so, the Commission looked at import prices of these raw materials into several other countries such as Brazil, Russia, Canada and the Ukraine, as well as the data used by the applicant in its review request.
- (71) On average, there was no significant difference in prices either between the two types of billets, or between the four types of scrap. Moreover, whereas the import price of billets classified under HS code 7207 11 was higher than that of billets classified under HS code 7207 20 in a number of countries, it was lower in other countries. The same price differences were seen for the four types of scrap. In addition, the information available to the Commission regarding the quantities used of the different types of billets or scrap by exporting producers of the product under review did not allow for differentiation between the subtypes. The information provided by the applicant in its review request and later submissions, shows total quantities used of both types of billets taken together, and of the different types of scrap taken together.
- (72) In view of the price fluctuations and the fact that on average, import prices were similar for the two types of billets and the four types of scrap, the Commission decided to use only the prices of those billets and scrap that were imported in significant quantities into Peru during the review investigation period. This meant that the price for billets was based on the price for the billets classified under HS code 7207 20, and the price for scrap was an average of the price for scrap classified under HS codes 7204 29 and 7204 49.

<sup>(56)</sup> Normally, import data on imports in the representative country from non-WTO members listed in Annex 1 to Regulation (EU) 2015/755 of the European Parliament and of the Council (OJ L 123, 19.5.2015, p. 33) are also excluded. However, as Peru did not import any of the factors of production from any of the aforementioned countries during the review investigation period, the imports from other third countries were 100 % of total volumes imported to Peru for the factors of production listed in Table 1.

- (73) The Commission sought to establish the undistorted price of raw materials used in the production of wire rod, as delivered at the gate of the exporting producer's factory. It therefore applied the import duty of the representative country to each respective country of origin. Normally, domestic transport prices should also be added to these import prices. However, considering the finding in Section 3.5 as well as the nature of this expiry review investigation, which is focused on finding whether dumping continued during the review investigation period or could reoccur, rather than finding its exact magnitude, the Commission decided that adjustments for domestic transport were unnecessary. Such adjustments would only result in increasing the normal value and hence of the dumping margin.
- (74) The costs for raw materials (e.g. by-products other than scrap) with negligible impact in terms of costs were included in the costs for raw materials, as a percentage of waste and scrap. According to the information in the review request, the actual costs of those other raw materials represented a negligible share of the total actual costs of manufacturing. In addition, consumables were expressed as a share of the costs of total raw materials and applied to the undistorted costs of total raw materials.

#### 3.3.2.3. Labour

- (75) In order to establish the benchmark for labour costs, the Commission used ILO statistics which provided data on the mean weekly hours actually worked per employed person and monthly earnings of employees in manufacturing during the review investigation period<sup>(57)</sup>. Using that data, the Commission calculated an hourly salary in manufacturing to which additional labour related costs (social security and unemployment contributions borne by the employer) were added<sup>(58)</sup>.

#### 3.3.2.4. Energy

- (76) In order to establish the benchmark for gas and electricity costs, the Commission used the reference prices set by Osinergmin.
- (77) The reference prices for natural gas are set by Osinergmin on a monthly basis and readily available on their website<sup>(59)</sup>.
- (78) The reference prices for electricity depend on the area where the electricity is delivered. According to its annual report, the production of Aceros Arequipa is concentrated at the company's plant in Pisco (Ica). The maximum electricity prices to be charged by the electricity company in Pisco are also set by Osinergmin and readily available. The information was detailed enough to identify the price of electricity and the price for the use of the distribution system paid by industrial users on a monthly basis<sup>(60)</sup>.
- (79) The price for water for industrial users as charged by the local company in Pisco (Emapisco) are based on the reference prices as set by Sunass in their report for the period 2018 – 2023, available online<sup>(61)</sup>.

<sup>(57)</sup> <https://ilostat.ilo.org/data/country-profiles/>, last accessed 20 January 2021.

<sup>(58)</sup> <https://cdn.www.gob.pe/uploads/document/file/320807/IF-161-2018-MTPE-2-14.1.pdf> at p. 2, and also <https://www.oecd-ilibrary.org/docserver/9789264305823-en.pdf?expires=1611133368&id=id&accname=oid031827&checksum=A488AE7705661410076E3EC1D21F9F5> at p. 88, last accessed 20 January 2021.

<sup>(59)</sup> <https://www.osinergmin.gob.pe/seccion/institucional/regulacion-tarifaria/pliegos-tarifarios/gas-natural>, last accessed 20 January 2021.

<sup>(60)</sup> <https://www.osinergmin.gob.pe/seccion/institucional/regulacion-tarifaria/pliegos-tarifarios/electricidad>, last accessed 20 January 2021.

<sup>(61)</sup> [https://www.sunass.gob.pe/wp-content/uploads/2020/09/emapisco\\_fina\\_261218.pdf](https://www.sunass.gob.pe/wp-content/uploads/2020/09/emapisco_fina_261218.pdf), last accessed 20 January 2021.

### 3.3.2.5. Manufacturing overhead costs, SG&A, profits and depreciation

- (80) In order to establish an undistorted value of the manufacturing overheads and given the absence of cooperation from the Chinese exporting producers, the Commission used facts available in accordance with Article 18 of the basic Regulation. Therefore, based on data of Union producers provided by the applicant, the Commission established the ratio of manufacturing overheads to the direct costs of manufacturing. This percentage was then applied to the undistorted value of the direct costs of manufacturing to obtain the undistorted value of manufacturing overheads.
- (81) For establishing an undistorted and reasonable amount for SG&A and profit, the Commission relied on the financial data for 2019 for Aceros Arequipa as reported in the company's audited accounts <sup>(62)</sup>.

### 3.3.2.6. Calculation of the normal value

- (82) On the basis of the above, the Commission constructed the normal value on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.
- (83) First, the Commission established the undistorted manufacturing costs. In the absence of cooperation by the exporting producers, the Commission relied on the information provided by the applicant in the review request on the usage of each factor (materials, energy and labour) for the production of wire rod. The Commission multiplied the usage factors by the undistorted costs per unit observed in the representative country Peru.
- (84) Once the undistorted cost of manufacturing was established, the Commission added the manufacturing overheads, SG&A and profit as noted in Section 3.3.2.5. Manufacturing overheads were determined based on data provided by the applicant. SG&A and profit were determined based on the financial statements of Aceros Arequipa. The Commission added the following items to the undistorted costs of manufacturing:
- Manufacturing overheads, which accounted in total for 12-18 % of the direct costs of manufacturing <sup>(63)</sup>,
  - SG&A and other costs, which accounted for 11,03 % of the cost of sales for Aceros Arequipa, and
  - Profits, which amounted to 11,14 % of the COGS as achieved by Aceros Arequipa, were applied to the total undistorted costs of manufacturing.
- (85) On that basis, the Commission constructed the normal value on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.

### 3.3.3. Continuation of dumping

- (86) In the absence of cooperation from Chinese exporting producers, the export price was determined on the basis of facts available in accordance with Article 18 of the basic Regulation. The Commission tried to use available statistical information from Eurostat to determine export prices.
- (87) However, only 75 tonnes of wire rod were imported from the PRC during the review investigation period according to Eurostat, corresponding to less than 1 % of total imports. This amount is negligible in light of total Union consumption (18 826 155 tonnes). For this reason, the Commission concluded that these low volumes do not provide a sufficient basis for a continuation of a dumping analysis. The Commission therefore focused its investigation on the likelihood of recurrence of dumping should the measures be allowed to lapse.

<sup>(62)</sup> <https://investors.acerosarequipa.com/storage/memorias/July2020/sk9jvC6DOo51hCmXhDQ2.pdf>, last accessed 20 January 2021.

<sup>(63)</sup> This data is presented in ranges in order to protect the confidentiality of business sensitive information under Article 19 of the basic Regulation.

### 3.4. Likelihood of recurrence of dumping

- (88) In light of the considerations set out in recitals (86) and (87) above, the Commission further analysed whether there was a likelihood of recurrence of dumping should the measures lapse. In doing so, the following elements were analysed: the export price of Chinese wire rod to the rest of the world, the Chinese production capacity and spare capacity, the behaviour of Chinese exporters on other markets and the attractiveness of the Union market.

### 3.5. Comparison between the normal value and export price to the rest of the world

- (89) Since there was no cooperation from Chinese exporting producers, the Commission had to rely on facts available according to Article 18 of the basic Regulation in order to establish export prices from the PRC to other third country markets. In the absence of any other reliable information, the Commission used export data from GTA.
- (90) According to GTA, over 3 699 934 tonnes of wire rod were exported worldwide by the PRC during the review investigation period. This is equal to almost 20 % of the total Union consumption in the same period. Table 2 below summarises the figures for the five biggest countries in terms of Chinese export volume, representing almost 65 % of the total Chinese exports during the review investigation period.

Table 2

#### Chinese wire rod exports to the world (volume in tonnes and prices, EUR/tonne)

Country	2018 volume	2018 average price	2019 volume	2019 average price	RIP volume	RIP average price
Korea, South	816 301	498	902 953	461	849 193	446
Thailand	724 536	496	643 022	466	633 517	455
Indonesia	470 161	523	407 158	498	411 668	470
Vietnam	472 460	500	393 555	482	301 005	471
Philippines	714 053	471	373 321	447	187 523	449

Source: GTA

- (91) The average export price found during the review investigation period for each of the above countries was more than 40 % below the normal value established in recital (85). This indicated that, if imports from the PRC would arrive in the Union at that level, such sales would be at significantly dumped price levels.
- (92) The figures also show that Chinese export volumes have decreased over the past years, in line with global export volumes and global demand. However, as explained in Section 3.5.1 below, spare capacity far outweighs local demand in the PRC, while recent press releases indicate that global demand for the product under review is picking up and will further increase over the next year <sup>(64)</sup>. In addition, the PRC remains among the ten countries with the lowest export prices for wire rod.
- (93) Finally, press reports from 2021 suggest that there is increasing divergence between the Chinese domestic market and the export market. Whereas local demand is slowing down, depressing local prices, the export market is becoming increasingly attractive to Chinese producers <sup>(65)</sup>.

<sup>(64)</sup> <https://www.metalbulletin.com/Article/3972213/Search-results/FOCUS-Chinas-steel-exports-expected-to-rise-in-2021.html>, last accessed 1 February 2021.

<sup>(65)</sup> <https://www.kallanish.com/en/steel-news/market-reports/article-details/chinese-wire-rod-exports-diverge-from-domestic-market-0121/>, last accessed 1 February 2021.

### 3.5.1. *Production capacity and spare capacity in the PRC*

- (94) Based on information provided by the applicant, among which data from Mysteel <sup>(66)</sup>, Chinese wire rod production is currently at a higher level than at the time of the last expiry review. Production increased since 2016 to a production level ranging between 155 and 165 million tonnes in 2019, which is more than eight times the total Union production.
- (95) Chinese producers have an estimated spare capacity of some 90 million tonnes, according to the review request. The applicant points out that much of the capacity sits with the new entrants in the Chinese wire rod market. Given the large overcapacity, such new entrants will look increasingly towards the export market, especially given the slowing local demand as set out in recital (93) above. Due to the Chinese non-cooperation, it was difficult to obtain additional information in this respect. However, in the light of the high production levels referred to in the previous recital in comparison to European and worldwide figures, the PRC could easily influence international markets, even without using its spare capacity.

### 3.5.2. *Attractiveness of the Union market*

- (96) Due to the higher price levels on the Union market compared to the Chinese sales prices observed in other third countries as shown in Table 2, the Union market is considered to be attractive for the Chinese producers. The existence of protective measures in many export markets further increases the attractiveness of the Union market <sup>(67)</sup>. Thus, it can be reasonably expected that Chinese exports would resume in considerable volumes on the Union market should measures be allowed to lapse. In this respect, it should be recalled that before the original measures were imposed, in 2008, Chinese sales volumes in the Union market amounted to 1,1 million tonnes, as compared to 75 tonnes in the review investigation period.

## 3.6. **Conclusion on the likelihood of recurrence of dumping**

- (97) In view of the above, the Commission concluded that there is a likelihood that dumping would recur if the current measures were allowed to lapse. In particular, the level of the normal value established in the PRC, the level of Chinese export prices to third country markets, the attractiveness of the Union market and the availability of significant production capacity in the PRC point to a strong likelihood of recurrence of dumping in case the current measures are allowed to lapse.

## 4. **INJURY**

### 4.1. **Definition of the Union industry and Union production**

- (98) The like product was manufactured by 62 producers in the Union during the period considered. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (99) The total Union production during the review investigation period was established at around 18,3 million tonnes. The Commission established the figure on the basis of all the available information concerning the Union industry, such as data provided by the applicant <sup>(68)</sup>. As indicated in recital (11), four Union producers were selected in the sample representing almost 25 % of the total Union production of the like product.

<sup>(66)</sup> <https://www.mysteel.net/>. Other sources mentioned by the applicant, such as CRU and Worldsteel, show similar figures.

<sup>(67)</sup> Measures were put in place against wire rod from the PRC by, for example, Australia, India, Indonesia, Mexico, South Korea and the United States.

<sup>(68)</sup> The production volume is based on EU-27 data as the United Kingdom ceased to be part of the European Union on 1 January 2021.



- (100) The Commission found that a part of the total Union producers' production was destined for the captive market as shown in Table 3 below. The captive market increased over the period considered by 5 percentage points representing 13,5 % of the Union consumption in the review investigation period. The Commission examined certain economic indicators relating to the Union industry on the basis of data for the free market only. These indicators are: sales volume and sales prices on the Union market; market share; export volume and prices and profitability. For other indicators, such as production, capacity, productivity, employment and wages, the figures considered below relate to the whole activity and therefore no separation was warranted.

#### 4.2. Union consumption

- (101) The Commission established the Union consumption on the basis of a) Eurofer data concerning Union industry's sales of the like product in the Union, cross-checked with the sampled Union producers; and (b) imports of the product under review from all third countries as reported in Eurostat.
- (102) Union consumption developed as follows:

Table 3

#### Union consumption (tonnes) <sup>(69)</sup>

	2017	2018	2019	RIP
Total Union consumption	20 365 727	21 318 592	20 219 432	18 821 504
<i>Index (2017 = 100)</i>	100	105	99	92
Captive market	2 426 375	2 724 231	2 535 896	2 545 577
<i>Index (2017 = 100)</i>	100	112	105	105
Free market	17 939 352	18 594 360	17 683 536	16 275 927
<i>Index (2017 = 100)</i>	100	104	99	91

Source: Eurofer and Eurostat

- (103) Throughout the period considered, the Union consumption in the free market decreased by 9 %. A detailed analysis shows that from 2017 to 2018 the Union free market consumption increased by 4 % from around 17,9 to 18,6 million tonnes before decreasing in 2019 by 5 % and decreasing further by 8 percentage points to 16,3 million tonnes in the review investigation period. Total Union consumption followed a similar trend with an increase in 2018 followed by a decrease in 2019, which continued in the review investigation period as a consequence of the COVID-19 pandemic that caused a reduction in the overall consumption of wire rod, in particular in the automotive and construction industries.

#### 4.3. Imports from the country concerned

##### 4.3.1. Volume and market share of the imports from the country concerned

- (104) The Commission established the volume of imports on the basis of Eurostat data. The market share of the imports was established on the basis of the Union consumption as set out in recital (102).

<sup>(69)</sup> The consumption is based on EU-27 data, excluding data related to the United Kingdom.

(105) Imports from the country concerned developed as follows:

Table 4

**Import volume (tonnes) and market share <sup>(70)</sup>**

	2017	2018	2019	RIP
Volume of imports from the country concerned (tonnes)	556	44	47	75
Index (2017 = 100)	100	8	8	14
Market share (%)	0,0	0,0	0,0	0,0

Source: Eurostat

(106) While Chinese imports accounted for 5 % market share and 1,1 million tonnes in the original investigation period, they have, based on information from Eurostat, virtually disappeared from the Union market. In fact, imports from the PRC decreased from 556 to 75 tonnes over the period considered.

(107) The company with the 7,9 % duty rate is related to the Arcelor Mittal group and according to the complainants does not produce significant quantities of wire rod any longer. However, the other Chinese exporting producers also ceased to sell into the Union. The wire rod market appears to be very price sensitive and the 24 % price increase caused by the anti-dumping duty in force made Chinese exporters to lose interest in the Union market.

*4.3.2. Prices of the imports from the country concerned and price undercutting*

(108) In view of the very low import volumes from the PRC, prices of these imports could not be analysed meaningfully.

(109) Since there was no cooperation from exporting producers in the PRC, and in view of the very low quantities imported in the Union from the PRC, no reliable import prices could be established during the review investigation period and therefore it was not possible to perform a meaningful calculation of price undercutting. Under these circumstances, the Commission determined the price undercutting by imports from the PRC during the review investigation period by comparing:

- (1) the weighted average sales prices of the product under review of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level; and
- (2) the corresponding weighted average prices of the product under review produced in the PRC and sold to the rest of the world established on a CIF basis, with appropriate adjustments for post-importation costs. In the absence of any other information, these costs were estimated at 1 % of the CIF value <sup>(71)</sup>.

(110) The result of the comparison was expressed as a percentage of the sampled Union producers' turnover during the review investigation period. It showed a weighted average undercutting margin for the country concerned of 4,5 %. Therefore, a similar level of undercutting on the Union market is expected should the measures be allowed to lapse.

**4.4. Imports from third countries other than PRC**

(111) The imports of the product under review from third countries other than the PRC were mainly from Turkey, Russia, Belarus and Switzerland.

(112) The (aggregated) volume of imports as well as the market share and price trends for imports of the product under review from other third countries developed as follows:

<sup>(70)</sup> The import volume is based on EU-27 data, excluding data related to the United Kingdom.

<sup>(71)</sup> See Commission Implementing Regulation (EU) 2019/566 of 9 April 2019 imposing a definitive anti-dumping duty on imports of certain tube and pipe fittings originating in the Russian Federation, the Republic of Korea and Malaysia following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council and terminating the investigation concerning the imports of the same product originating in the Republic of Turkey (OJ L 99, 10.4.2019, p. 9), recital 128.

Table 5

**Imports from third countries**

Country		2017	2018	2019	RIP
Turkey	Volume (tonnes)	441 408	921 060	458 996	329 613
	<i>Index</i> (2017 = 100)	100	209	104	75
	Market share on the free market (%)	2,5	5,0	2,6	2,0
	<i>Index</i> (2017 = 100)	100	201	105	82
	Average price (EUR/tonne)	468	513	475	473
	<i>Index</i> (2017 = 100)	100	110	101	101
Russia	Volume (tonnes)	349 011	368 158	249 488	331 194
	<i>Index</i> (2017 = 100)	100	105	71	95
	Market share on the free market (%)	1,9	2,0	1,4	2,0
	<i>Index</i> (2017 = 100)	100	102	73	105
	Average price (EUR/tonne)	444	497	464	434
	<i>Index</i> (2017 = 100)	100	112	104	98
Belarus	Volume (tonnes)	282 422	195 380	243 772	257 688
	<i>Index</i> (2017 = 100)	100	69	86	91
	Market share on the free market (%)	1,6	1,1	1,4	1,6
	<i>Index</i> (2017 = 100)	100	67	88	101
	Average price (EUR/tonne)	425	519	478	459
	<i>Index</i> (2017 = 100)	100	122	112	108
Other third countries	Volume (tonnes)	1 142 592	1 192 067	1 024 468	1 111 213
	<i>Index</i> (2017 = 100)	100	104	90	97
	Market share on the free market (%)	6,4	6,4	5,8	6,8
	<i>Index</i> (2017 = 100)	100	101	91	107
	Average price (EUR/tonne)	519	595	550	516
	<i>Index</i> (2017 = 100)	100	115	106	99

Total of all third countries except PRC	Volume (tonnes)	2 215 433	2 676 664	1 976 724	2 029 708
	<i>Index</i> (2017 = 100)	100	121	89	92
	Market share on the free market (%)	12,3	14,4	11,2	12,5
	<i>Index</i> (2017 = 100)	100	117	91	101
	Average price (EUR/tonne)	485	548	513	488
	<i>Index</i> (2017 = 100)	100	113	106	101

Source: Eurostat

- (113) Total imports of the product under review from third countries other than the country concerned decreased by 8 % (from 2,21 to 2,03 million tonnes) over the period considered, following the same downward trend of the Union free market consumption as mentioned in Table 3. However, third countries maintained over the period considered their market share in the free market to a large extent due to consistently lower prices than the prices of the Union industry which at the same period lost market share in the free market as mentioned in Table 7.

#### 4.5. Economic situation of the Union industry

##### 4.5.1. General remarks

- (114) The assessment of the economic situation of the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.
- (115) As mentioned in recital (11), sampling was used for the assessment of the economic situation of the Union industry.
- (116) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in the response of Eurofer data concerning Union industry's sales of the like product in the Union, cross-checked with the sampled Union producers. The Commission evaluated the microeconomic indicators on the basis of data related to the sampled Union producers contained in the questionnaire replies. Both sets of data were found to be representative of the economic situation of the Union industry.
- (117) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the dumping margin, and recovery from past dumping.
- (118) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital.

##### 4.5.2. Macroeconomic indicators <sup>(72)</sup>

###### 4.5.2.1. Production, production capacity and capacity utilisation

- (119) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 6

#### Production, production capacity and capacity utilisation

	2017	2018	2019	RIP
Production volume (tonnes)	20 101 565	20 670 532	19 942 245	18 298 579
<i>Index</i> (2017 = 100)	100	103	99	91

<sup>(72)</sup> The macroeconomic indicators are based on EU-27 data, excluding data related to the United Kingdom.

Production capacity (tonnes)	25 860 247	25 875 427	26 941 347	27 300 050
<i>Index</i> (2017 = 100)	100	100	104	106
Capacity utilisation (%)	78	80	74	67
<i>Index</i> (2017 = 100)	100	103	95	86

Source: Eurofer, sampled Union producers

- (120) Production volume first increased in 2018 as a consequence of an increase in captive market. It decreased in 2019 and further in the investigation period following a similar trend with the decrease of Union consumption as a consequence of the COVID-19 pandemic that caused a reduction in the overall consumption of wire rod. Production volume decreased by 9 % over the review investigation period.
- (121) Production capacity increased over the period considered. As production volume decreased overall and capacity increased, capacity utilization shows a downward trend (-14 %) over the period considered.

#### 4.5.2.2. Sales volume and market share

- (122) The Union industry's sales volume and market share developed over the period considered as follows:

Table 7

#### Sales volume and market share

	2017	2018	2019	RIP
Total sales volume in the Union—both free and captive market (tonnes)	18 149 739	18 641 884	18 242 661	16 791 721
<i>Index</i> (2017 = 100)	100	103	101	93
Captive market sales and use	2 426 375	2 724 231	2 535 896	2 545 577
<i>Index</i> (2017 = 100)	100	112	105	105
Captive market sales and use as a % of total market sales	13,4	14,6	13,9	15,2
<i>Index</i> (2017 = 100)	100	109	104	113
Free market sales	15 723 364	15 917 652	15 706 766	14 246 144
<i>Index</i> (2017 = 100)	100	101	100	91
Market share (of free market sales (%))	87,6	85,6	88,8	87,5
<i>Index</i> (2017 = 100)	100	98	101	100

Source: Eurofer, sampled Union producers

- (123) Total sales in the EU followed a downward trend over the period considered (-7 %) despite the increase by 3 % in 2017-18.

- (124) Total sales on the free market by the Union industry decreased by almost 1,5 million tonnes over the period considered. While consumption had increased to its highest level in 2018 (+ 3 %), it already showed a downward trend (-2 %) which continued in 2019 and in the review investigation period. Overall sales on the EU free market decreased by 9 %.
- (125) The market share of free market sales of the Union industry in the free market remained rather stable over the period considered. After the share of free market sales increased in 2017-19 by 1 %, it decreased by 1,3 percentage points in the review investigation period.

#### 4.5.2.3. Growth

- (126) In a context of decreasing consumption, the Union industry not only lost sales volumes in the EU but also lost market share on the free market. Consequently, there was no growth for the Union industry during the period considered.

#### 4.5.2.4. Employment and productivity

- (127) Employment and productivity developed over the period considered as follows:

Table 8

#### Employment and productivity

	2017	2018	2019	RIP
Number of employees	10 271	10 530	11 125	10 853
<i>Index</i> (2017 = 100)	100	103	108	106
Productivity (unit/employee)	1 957	1 963	1 793	1 686
<i>Index</i> (2017 = 100)	100	100	92	86

Source: Eurofer, sampled Union producers

- (128) The Union industry managed to maintain and even increase the number of employees engaged in the production of the product under review, which increased between 2017 and the review investigation period by 6 %.
- (129) The productivity of the Union industry's workforce, measured as output (tonnes) per employee, followed a downward trend over the period considered (-14 %) as a consequence of the COVID-19 pandemic that caused a reduction in the overall production volume of wire rod. The considerable decrease of the productivity is explained by the higher decrease of the production volume, which is also linked with the decrease of sales and demand for Union industry's products, compared to the increase of the number of employees.

#### 4.5.2.5. Magnitude of the dumping margin and recovery from past dumping

- (130) The dumping margin established for the country concerned in the original investigation was well above the *de minimis* level. As explained above, there were no dumped imports from the country concerned during the period considered, therefore the magnitude of dumping margin could not be assessed.

- (131) In the previous expiry review it was concluded that the Union industry had remained substantially fragile and injured. During the period considered of the current expiry review investigation, the Union industry showed signs of recovery from the effects of past dumping but all the main injury indicators after remaining rather stable in 2017-19 decreased in the review investigation period following a similar trend with the decrease of Union consumption as a consequence of the COVID-19 pandemic. Thus, Union industry remains very vulnerable to the injurious effects of any dumped imports in the Union market and should measures be repealed, the impact of the expected dumping on the Union industry would be significant based on the decreasing prices of exports from the PRC to the third countries, as mentioned in recitals (90) and (91).

#### 4.5.3. Microeconomic indicators <sup>(73)</sup>

##### 4.5.3.1. Prices and factors affecting prices

- (132) Over the period considered, the average unit sales prices to unrelated customers in the Union and the average unit cost of production of the sampled Union producers developed as follows:

Table 9

#### Sales prices in the Union

	2017	2018	2019	RIP
Average unit sales price on the free market (EUR/tonne)	529	604	560	521
Index (2017 = 100)	100	114	106	98
Unit cost of production (EUR/tonne)	523	564	591	575
Index (2017 = 100)	100	108	113	110

Source: Sampled Union producers

- (133) Throughout the period considered, sales prices on the Union market to unrelated parties (the free market) decreased by 2 %. A detailed analysis shows that from 2017 to 2018, the sales prices increased by 14 % before decreasing in 2019 by 8 percentage points and decreasing further by 8 percentage points in the review investigation period. The increase of the sales prices followed until 2019 to a certain extent the evolution of the cost of production, which increased by 13 % in 2017-19 remaining though superior to the average sales price. In the review investigation period the cost of production decreased by 3 percentage points. Overall, over the period considered, the average sales price decreased by 2 % while the cost of production increased by 10 %, thus the Union industry was not in a position to increase the sales price in order to cover the increase of the cost of production.

##### 4.5.3.2. Labour costs

- (134) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 10

#### Average labour costs per employee

	2017	2018	2019	RIP
Average labour costs per employee (EUR)	56 548	59 747	58 983	56 665
Index (2017 = 100)	100	106	104	100

Source: Sampled Union producers

<sup>(73)</sup> Microeconomic indicators are based on EU-28 data, including the United Kingdom. Considering that the sales into the United Kingdom constituted only 1,5 % of the sampled Union producers, the conclusions on material injury would not have been altered.

- (135) The average labour costs per employee first increased from 2017 to 2018 before progressively decreasing in 2019 and the review investigation period. Overall, between 2017 and the review investigation period, the average labour cost per employee remained stable.

#### 4.5.3.3. Inventories

- (136) Stock levels of the sampled Union producers developed over the period considered as follows:

Table 11

#### Inventories

	2017	2018	2019	RIP
Closing stocks (tonnes)	363 501	444 814	417 212	420 511
Index (2017 = 100)	100	122	115	116
Closing stocks as a percentage of production	6,8	8,2	8,3	9,5
Index (2017 = 100)	100	122	123	140

Source: Sampled Union producers

- (137) The inventories of the Union industry increased between 2017 and the review investigation period, remaining however constantly below 10 % of the yearly production volume the whole period considered. The considerable increase by 40 % of the inventories as a percentage of production observed from 2017 to the review investigation period follows to a certain extent the decrease in the production volume as mentioned in recital (120), with EU producers not being able to dispose of their production given the similar downward trend of the overall Union consumption as mentioned in recital (103).

#### 4.5.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

- (138) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 12

#### Profitability, cash flow, investments and return on investments

	2017	2018	2019	RIP
Profitability of sales in the Union to unrelated customers (% of sales turnover)	1,2	6,5	- 5,4	- 10,4
Index (2017 = 100)	100	530	- 546	- 952
Cash flow (EUR)	62 999 177	158 497 581	- 32 609 909	- 73 869 927
Index (2017 = 100)	100	252	- 152	- 217
Investments (EUR)	57 591 654	50 424 514	76 852 470	65 369 090
Index (2017 = 100)	100	88	133	114
Return on investments (%)	1,4	8,1	- 5,5	- 8,5
Index (2017 = 100)	100	576	- 495	- 705

Source: Sampled Union producers



- (139) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales.
- (140) Profitability first increased in 2018 as a consequence of increased sales prices to unrelated parties (the free market) at a level exceeding the increase of the cost of production. It decreased in 2019 and further in the review investigation period following a similar trend with the decrease of sales prices as explained in recital (133). The negative profit margin of the Union industry in 2019 and the period considered is due to the fact that the unit cost of production remained superior to the average sales price. As it could be seen in Table 9 above, the gap between the unit cost of production and the average sales price further increased in the review investigation period. Overall, the reduction in the Union consumption of wire rod as a consequence of the COVID-19 pandemic and to some extent due to the competition on the market from imports from other third countries constantly at prices lower than the Union industry prices, did not allow the Union industry to set sales prices at a level which would allow at least to cover the cost of production.
- (141) The net cash flow is the ability of the Union producers to self-finance their activities. Net cash flow evolved to a large extent in line with profitability and initially improved in 2018 before declining substantially in 2019 and the review investigation period, when profitability was at the lowest point in the period considered.
- (142) Investments increased slightly by 14 % over the period considered, which further demonstrates the difficult financial situation of the Union industry.
- (143) The return on investments is the profit in percentage of the net book value of investments. It developed negatively over the period considered from 1,4 % in 2017 to -8,5 % in the review investigation period. Such development follows the decreasing profitability of the Union industry.

#### 4.6. Conclusion on injury

- (144) Most macroeconomic indicators showed a negative trend over the period considered such as production, capacity utilization, sales volume in the EU market, market share and productivity. Only capacity and employment showed a slightly positive trend. Similarly, most microeconomic indicators showed a negative trend over the period considered such as sales prices in the EU free market, cost of production, profitability, closing stocks, cash flow and return on investments. Only investments showed a positive trend, after the sampled producers made investments in order to maintain competitiveness and follow the latest product developments. The same injury indicators also developed negatively when looking at the period 2017-19, that is, before the start of the COVID-19 pandemic.
- (145) Moreover, the competition from third countries' imports other than the country concerned and the price pressure deteriorated further the profitability situation of the Union industry which had a negative profit margin of -10,4 % in the review investigation period. The cash flow and return on investments also deteriorated, which put the Union industry in a difficulty to rise capital and grow.
- (146) On the basis of the above, the Commission concluded that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation during the review investigation period.
- (147) The Commission assessed whether there is a causal link between imports from the country concerned and the injury suffered by Union industry.
- (148) The volumes of imports from the country concerned remained at a negligible level throughout the period considered.

- (149) At the same time, low priced imports from third countries other than the country concerned, such as Turkey, Russia and Belarus, put a strong price pressure on the Union industry. As an illustration, the average sales price of Union industry to unrelated customers during the review investigation period was 521 EUR/tonne while the average sales price of products imported from Turkey was 473 EUR/tonne and 434 EUR/tonne for products imported from Russia.
- (150) Considering the above, the Commission concluded that the material injury suffered by the Union industry could not have been caused by the imports from the PRC due to their very limited volume.
- (151) Therefore, the Commission further examined the likelihood of recurrence of injury originally caused by dumped imports from the PRC if the measures were repealed.

#### **5. LIKELIHOOD OF RECURRENCE OF INJURY ORIGINALLY CAUSED BY DUMPED IMPORTS FROM THE PRC IF THE MEASURES WERE REPEALED**

- (152) The Commission concluded in recital (146) that the Union industry suffered material injury during the review investigation period. The Commission also concluded in recital (150), that the injury to the Union industry observed during the review investigation period could not have been caused by dumped imports from the PRC due to their very limited volume. Therefore, the Commission assessed, in accordance with Article 11(2) of the basic Regulation, whether there would be a likelihood of recurrence of injury originally caused by the dumped imports from the PRC if the measures against were allowed to lapse.
- (153) In this regard, the Commission examined the production capacity and spare capacity in the country concerned, the relation between export prices to third countries and the price level in the Union and the impact of potential imports and price levels of such imports from these countries on the Union industry's situation should the measures be allowed to lapse.

##### **5.1. Spare capacity in the PRC and the attractiveness of the Union market**

- (154) As already described in recitals (94) and (95), the exporting producers in the PRC have significant spare capacities, which together exceed substantially the current production volumes and internal demand in this country<sup>(74)</sup> and this spare capacity could be used to produce the product under review for export to the Union if measures were allowed to lapse. The quantities that could be exported by Chinese exporting producers are significant compared to the size of the EU market. Indeed, the spare capacities represent around 5 times the total Union consumption in the review investigation period.
- (155) As described in recital (91) and Table 2, the Chinese exporting producers exported to their main third markets at dumped prices, which are on average from 10 % to 15 % lower as compared to the average sales prices of the Union producers on the Union market. Therefore, taking into account the price level of exports from the PRC to other third markets, exporting to the Union is potentially much more attractive for the Chinese exporters. Consequently, it can be reasonably expected that, should the measures be repealed, Chinese exporting producers would start again to export high volumes of the product under review to the Union. This expectation is further reinforced by the availability of substantial spare capacity in the PRC.

##### **5.2. Impact of potential imports from the PRC on the Union industry's situation should the measures lapse**

- (156) As explained in Section 4.3.2, the Commission performed an undercutting analysis without anti-dumping measures to establish how the imports from the PRC would affect Union industry should the measures be terminated.
- (157) The Commission observed in recital (110) that the undercutting calculation showed a weighted average undercutting margin of 4,5 %.

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<sup>(74)</sup> The spare capacity in the PRC exceeds more than 5 times the total Union consumption in the free market during the review investigation period.

- (158) In addition, the Commission performed a simulation in order to better assess the likely impact of imports from the PRC on the financial situation of the Union industry. Two scenarios were modelled, namely a surge of imports from the PRC (i) without affecting the sales prices to the unrelated customers by the Union industry and (ii) a drop of sales prices in the Union due to increased competition. Moreover, for the determination of the hypothetical cost of production the Commission took into account the share of the fixed costs to the total costs of production of the sampled Union producers.
- (159) In this respect, the Commission assumed that the Union consumption would remain the same as during the review investigation period, that is 18,8 million tonnes and that exporting producers from the PRC would export to the Union quantities corresponding to a market share for the PRC of 5 % as during the initial IP, that is 0,94 million tonnes.
- (160) The Commission also assumed that 20 % of the total imports from the PRC would affect the Union industry and the remaining 80 % would affect imports from other third countries. The simulation was based on the data submitted by the sampled Union producers and is a very conservative approach taking into consideration that the average sales prices of imports from other third countries are below the average sales price of the Union industry. This means that dumped imports of the product under review from the PRC would most likely first gain market share at the expense of the Union industry, before taking over the market share of the exports from other third countries to the Union. Even under this conservative assumption Union industry would suffer up to 23 % losses as is illustrated below. In any other assumption (e.g. 50 %-50 %) losses would be much higher leading to even further deterioration of the profitability of the Union industry.
- (161) In the first scenario, that is keeping the same sales prices as during the review investigation period, the profitability of the Union industry would fall by 7,2 % or by 7,5 percentage points, that is from -10,4 % to -17,9 %.
- (162) In the second scenario, the effect of a price decrease was found to be potentially highly damaging. In case of a decrease of Union prices to the level of Chinese export prices to third countries (CIF price at EU border calculated at 499 EUR/tonne), the profit would drop from -10,4 % to -23,2 %.
- (163) In both scenarios, the impact of a surge of Chinese imports at low prices would significantly aggravate the injury already suffered by the Union industry.
- (164) On this basis, and noting the current fragile situation of the Union industry, the Commission concluded that the absence of measures would in all likelihood result in a significant increase of dumped imports from the PRC at injurious prices and the already precarious situation of the Union industry would dramatically deteriorate as a result, jeopardising its sheer survival.
- (165) Based on the above, the Commission concluded that there is likelihood of recurrence of injury originally caused by imports from the PRC should the measures be repealed.

## 6. UNION INTEREST

- (166) In accordance with Article 21 of the basic Regulation, the Commission examined whether maintaining the existing anti-dumping measures would be against the interest of the Union as whole. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers, distributors and users.
- (167) All interested parties were given the opportunity to make their view known pursuant to Article 21(2) of the basic Regulation.

### 6.1. Interest of the Union industry

- (168) Although the anti-dumping measures in force prevented dumped imports from the PRC to enter the Union market to a large extent, the Union industry suffered material injury during the review investigation period and its situation is fragile, as confirmed by the negative trends of the injury indicators.

- (169) On the basis of the above, the Commission established that there is a strong likelihood of recurrence of injury originally caused by imports from this country should the measures expire. The influx of substantial volumes of dumped imports from the PRC would cause further injury to the Union industry. This would worsen the already very fragile economic situation of Union industry and threaten its viability.
- (170) The Commission thus concluded that the maintenance of the anti-dumping measures against the PRC is in the interest of the Union industry.

## 6.2. Interest of unrelated importers, traders and users

- (171) The Commission contacted all known unrelated importers, traders and users. As mentioned in recital (19), the Commission received one questionnaire reply filled in by a user. This user explained that the market needs a certain price stability and thus cannot afford the destabilizing impact of dumped imports.
- (172) Moreover, in the previous expiry review and in the original investigation, the analysis of the Union interest did not indicate a negative effect of the measures on importers, traders and users either it was concluded that the overall possible impact of the imposition of measures on the activity of the users would be very limited. Firstly, the vast majority of users purchase their wire rod from non-Chinese sources which are abundant. Secondly, the possible impact from the imposition of measures should be seen in the light of the downstream products which enjoy a high added value. On this basis, it is concluded that the maintenance of the measures would not negatively impact the current situation of the users.
- (173) On this basis, there were no indications that the maintenance of the measures would have a significant negative impact on the importers and users, outweighing the positive impact of the measures on the Union industry.

## 6.3. Conclusion on Union interest

- (174) On the basis of the above, the Commission concluded that there were no compelling reasons of the Union interest against the maintenance of the existing measures on imports of the product under review originating in the PRC.

## 7. ANTI-DUMPING MEASURES

- (175) On the basis of the conclusions reached by the Commission concerning the continuation of dumping, the recurrence of injury originally caused by dumped imports from the country concerned, and the Union interest, the Commission found that the anti-dumping measures on imports of wire rod from the PRC should be maintained.
- (176) The individual company anti-dumping duty rates specified in this Regulation are exclusively applicable to imports of the product under review originating in the PRC and produced by the named legal entities. Imports of the product under review produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other companies'. They should not be subject to any of the individual anti-dumping duty rates.
- (177) A company may request the application of these individual anti-dumping duty rates if it subsequently changes the name of its entity. The request must be addressed to the Commission <sup>(75)</sup>. The request must contain all the relevant information enabling it to demonstrate that the change does not affect the right of the company to benefit from the duty rate which applies to it.
- (178) All interested parties were informed of the essential facts and considerations on the basis of which it was intended to recommend that the existing measures on imports of the product under review from the PRC be maintained. They were also granted a period to make representations subsequent to this disclosure. All comments received have been considered by the Commission.

<sup>(75)</sup> European Commission, Directorate-General for Trade, Directorate H, Rue de la Loi 170, 1040 Brussels, Belgium.

- (179) The measures provided for in this Regulation are in accordance with the opinion of the Committee established by Article 15(1) of Regulation (EU) 2016/1036.
- (180) In view of Article 109 of Regulation (EU, Euratom) 2018/1046 <sup>(76)</sup>, when an amount is to be reimbursed following a judgment of the Court of Justice of the European Union, the interest to be paid should be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the *Official Journal of the European Union* on the first calendar day of each month,

HAS ADOPTED THIS REGULATION:

#### Article 1

1. A definitive anti-dumping duty is hereby imposed on imports of bars and rods, hot-rolled, in irregularly wound coils, of iron, non-alloy steel or alloy steel other than of stainless steel originating in the People's Republic of China, currently falling under CN codes 7213 10 00, 7213 20 00, 7213 91 10, 7213 91 20, 7213 91 41, 7213 91 49, 7213 91 70, 7213 91 90, 7213 99 10, 7213 99 90, 7227 10 00, 7227 20 00, 7227 90 10, 7227 90 50 and 7227 90 95.
2. The rate of the definitive anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the products described in paragraph 1 and manufactured by the companies listed below, shall be as follows:

Company	Anti-dumping duty (%)	TARIC additional code
Valin Group	7,9	A930
All other companies	24,0	A999

3. The application of the individual duty rate specified for the company mentioned in paragraph 2 shall be conditional upon presentation to the customs authorities of the Member States of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: 'I, the undersigned, certify that the (volume) of wire rod sold for export to the European Union covered by this invoice was manufactured by (company name and address) (TARIC additional code) in the People's Republic of China. I declare that the information provided in this invoice is complete and correct.' If no such invoice is presented, the duty rate applicable to 'all other companies' shall apply.
4. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

#### Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels, 12 October 2021.

For the Commission  
The President  
Ursula VON DER LEYEN

<sup>(76)</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).