

COMMISSION IMPLEMENTING REGULATION (EU) 2019/297**of 20 February 2019****imposing a definitive anti-dumping duty on imports of chamois leather 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 ⁽¹⁾ ('the basic Regulation'), and in particular Article 11(2) thereof,

Whereas:

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

- (1) Following an anti-dumping investigation ('the original investigation'), the Council imposed by Regulation (EC) No 1338/2006 ⁽²⁾, a definitive anti-dumping duty on imports of chamois leather originating in the People's Republic of China ('the PRC' or 'China' or 'country concerned'). The measure took the form of an ad valorem duty of 58,9 %.
- (2) Following an expiry review (the 'previous expiry review'), the Council decided, by means of Implementing Regulation (EU) No 1153/2012 ⁽³⁾, to maintain the anti-dumping duties in force.

1.2. Request for an expiry review

- (3) Following the publication of a notice of impending expiry of the anti-dumping measures in force ⁽⁴⁾, the Commission received a request for the initiation of an expiry review of the measures in force pursuant to Article 11(2) of the basic Regulation.
- (4) The request was lodged by the UK Leather Federation ('the applicant') on behalf of producers representing more than 25 % of the total Union production of chamois leather and was based on the grounds that the expiry of the measures would likely result in a continuation of dumping and continuation of injury to the Union industry.

1.3. Initiation of an expiry review

- (5) Having determined that sufficient evidence existed for the initiation of an expiry review, the Commission announced on 6 December 2017, by a notice published in the *Official Journal of the European Union* ⁽⁵⁾ ('Notice of Initiation'), the initiation of an expiry review pursuant to Article 11(2) of the basic Regulation.

1.4. Interested parties

- (6) The Commission officially advised the applicant, known producers in the Union, exporting producers in the country concerned, unrelated importers, users in the Union known to be concerned and the representatives of the country concerned of the initiation of the expiry review. There are no other known Union producers of chamois leather than those represented by the applicant.

⁽¹⁾ OJ L 176, 30.6.2016, p. 21.

⁽²⁾ Council Regulation (EC) No 1338/2006 of 8 September 2006 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of chamois leather originating in the People's Republic of China (OJ L 251, 14.9.2006, p. 1).

⁽³⁾ Council Implementing Regulation (EU) No 1153/2012 of 3 December 2012 imposing a definitive anti-dumping duty on imports of chamois leather originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EC) No 1225/2009 (OJ L 334, 6.12.2012, p. 31).

⁽⁴⁾ Notice of the impending expiry of certain anti-dumping measures (OJ C 72, 8.3.2017, p. 3).

⁽⁵⁾ Notice of initiation of an expiry review of the anti-dumping measures applicable to imports of chamois leather originating in the People's Republic of China (OJ C 416, 6.12.2017, p. 15).

1.5. Sampling

- (7) In the Notice of Initiation, the Commission stated that it might sample unrelated Union importers and the Chinese exporting producers in accordance with Article 17 of the basic Regulation.
- (8) Since the only two existing Union producers represented 100 % of the Union production, no sampling of Union producers was envisaged.

1.5.1. Sampling of unrelated importers

- (9) In order to decide whether sampling was necessary and, if so, to select a sample, all unrelated importers were invited to participate in this investigation. Those parties were requested to make themselves known by providing the Commission with the information requested in Annex II of the Notice of Initiation.
- (10) Two unrelated importers came forward. However, those two companies have not imported the product concerned since the previous expiry review, namely since 2012.

1.5.2. Sampling of exporting producers in the PRC

- (11) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked the known exporters or producers 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 exporters or producers, if any, that could be interested in participating in the investigation. The Mission did not respond to the request. The Commission thus only contacted the exporting producers identified by the applicant in the request to initiate the expiry review.
- (12) However, no exporting producers in the PRC provided the requested information nor cooperated in the investigation.

1.6. Questionnaires and verification visits

- (13) The Commission sought and verified all the information deemed necessary for the purpose of determining the likelihood of continuation or recurrence of dumping and the likelihood of continuation or recurrence of injury and Union interest.
- (14) The Commission sent questionnaires to the two Union producers represented by the applicant. Questionnaire replies were received from both Union producers.
- (15) Verification visits pursuant to Article 16 of the basic Regulation were carried out at the premises of the following companies:

Union producers

- Hutchings & Harding Ltd, Cambridge, United Kingdom
- Marocchinerie e Scamoscerie Italiane Spa, Turin, Italy

1.7. Review investigation period and period considered

- (16) The review investigation period of dumping and injury covered the period from 1 October 2016 to 30 September 2017 (the 'review investigation period' or 'RIP'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2014 to the end of the review investigation period ('the period considered').

2. PRODUCT CONCERNED AND LIKE PRODUCT

- (17) The product concerned is chamois leather and combination chamois leather, whether or not cut to shape, including crust chamois leather and combination crust chamois leather originating in the PRC, currently falling within CN codes 4114 10 10 and 4114 10 90 ('the product concerned'). It is mainly used for cleaning and polishing.

- (18) The investigation confirmed that, as in the original investigation, the product concerned and the product produced and sold in the Union by the Union industry remains to have the same basic physical and technical characteristics as well as the same basic uses, and are thus like products within the meaning of Article 1(4) of the basic Regulation.

3. DUMPING

- (19) In accordance with Article 11(2) of the basic Regulation, the Commission examined whether the expiry of the existing measures would be likely to lead to a continuation or recurrence of dumping from the Chinese exporting producers.
- (20) Since no exporting producer in the PRC cooperated with the investigation (see recital (12)), the Commission assessed the likelihood of continuation or recurrence of dumping on the basis of the facts available, in accordance with Article 18 of the basic Regulation, in particular statistical data from Eurostat, from the Chinese Export Database, information in the request for review, publicly available information such as official website of the Chinese producer Henan Prosper ⁽⁶⁾ and information obtained from the applicant in the course of the review investigation.

3.1. Dumping during the review investigation period

3.1.1. Normal value

- (21) In accordance with Article 2(7)(a) of the basic Regulation, in the case of imports from the PRC, the normal value is normally determined on the basis of the price or of the constructed value in a market economy third country, or the price from such a third country to other countries, including the Union, or, where those are not possible, on any other reasonable basis, including the price actually paid or payable in the Union for the like product, duly adjusted if necessary to include a reasonable profit margin.

Normal value in the original investigation and previous expiry review

- (22) In the original investigation, the Commission used the United States of America ('USA') as an analogue country and established the normal value based on the prices of a cooperating chamois leather producer in the USA.
- (23) Since then, the only chamois leather producer operating in the USA closed its production. Therefore, in the previous expiry review, the Commission established the normal value based on the average price of imports from India into the Union (India being the biggest importer to the Union at that time).

Normal value for the current investigation

- (24) In the Notice of Initiation of the current expiry review, the Commission informed interested parties that, in order to establish the basis for the normal value, it envisaged using the prices in the Union. It also informed interested parties that other market economy producers of chamois leather may be situated in India, Nigeria, Turkey and New Zealand. Those countries could be thus considered as third market economy countries ('analogue countries') within the meaning of Article 2(7)(a) of the basic Regulation. Interested parties had an opportunity to comment and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings. However no comments were received.
- (25) The Commission first contacted the representations of these potential analogue countries in order to ask for their help in identifying producers in their respective countries who could be invited to cooperate as analogue country producers. It then sent a request for cooperation to all known chamois leather producers in those countries, namely to seven known producers and to two known producer associations in India, to the only known producer in New Zealand, and to the only known producer in Turkey.
- (26) Only one of the producers of chamois leather, located in India, initially agreed to cooperate. However, it subsequently failed to fill in the questionnaire sent by the Commission and stopped cooperating. None of the contacted analogue country producers of chamois leather thus finally cooperated in the investigation.

⁽⁶⁾ <https://www.globalsources.com/si/AS/Henan-Prosper/6008801452841/Homepage.htm>.

- (27) In the absence of cooperation from a market economy country producer, the Commission decided to establish the normal value based on the same methodology as in the previous expiry review, namely on the basis of import prices of the largest importer of chamois leather to the Union.
- (28) Based on the statistical data ⁽⁷⁾, Nigeria had the largest volume of imports to the Union in the RIP. The normal value was thus established on the basis of the average price of Nigerian imports into the Union.

3.1.2. Export price

- (29) Since none of the exporting producers in the PRC cooperated with the investigation (see recital (12)), the Commission assessed the likelihood of continuation of dumping on the basis of the facts available, in accordance with Article 18 of the basic Regulation. The export price was established on the basis of the average statistical price of the imports from the PRC to the Union ⁽⁸⁾.

3.1.3. Dumping

- (30) The Commission compared the normal value based on the method described under Section 3.1.1 with the export price established in line with the method described in Section 3.1.2. The dumping calculation resulted in a dumping margin of 118 %.

3.1.4. Conclusion on dumping in the review investigation period

- (31) Although at lower volume than in the original investigation, the Chinese exporting producers continued to export chamois leather to the Union at dumped prices during the review investigation period.

3.2. Analysis of the likelihood of continuation or recurrence of dumping

- (32) The Commission further analysed whether there was a likelihood of continuation or recurrence of dumping, should the measures be allowed to lapse. When doing so, it looked into the Chinese production capacity and spare capacity, the behaviour of Chinese exporters on other markets, the situation on the domestic market of China and the attractiveness of the Union market.
- (33) As none of the known exporting producers of chamois leather cooperated in the investigation, the findings set out in recitals (34) to (44) concerning the likelihood of continuation or recurrence of dumping had to be based on other sources, that is, Eurostat data, data from the Chinese Export Database, information in the request for review, publicly available information such as the one available at the official website of the Chinese producer Henan Prosper and information obtained from the applicant in the course of the review investigation.

3.2.1. Production capacity

- (34) In the absence of cooperation from any of the Chinese exporting producers, the information available to the Commission on production and spare capacity is based on the information provided by the applicant and on publicly available information.
- (35) According to that information, there is an important capacity to produce chamois leather in China.
- (36) Firstly, the largest sheepskin manufacturing company in the world, namely Henan Prosper, is situated in China. Although Henan Prosper processes different animal skins (including skins not falling under the product scope), it has a production capacity of 30 000 skins a day. According to Henan Prosper's website that capacity is equivalent to the annual processing capacity of 7 million skins (approximately 47,3 million square feet) ⁽⁹⁾. It has a workforce of 3600 people and a dedicated chamois leather tannery ⁽¹⁰⁾. Although the information on the exact share of the chamois leather production (and capacity) within the entire production is not available, in comparison, the capacity of the Union industry to produce chamois leather was between 7 to 10 million square feet during the review investigation period ⁽¹¹⁾.

⁽⁷⁾ Source: Eurostat

⁽⁸⁾ Source: Eurostat

⁽⁹⁾ According to the Union industry, one skin represents between 6,5 to 7 square feet. (7 million*6,75 = 47,25 million)

⁽¹⁰⁾ Asia Pacific Leather Fair exhibitors directory (<http://www.aplf.com/en-US/534/henan-prosper/6740>), and a leather magazine article (<http://www.leathermag.com/news/newsmichael-lu-henan-prosper-skins-leather-enterprise-co-ltd>)

⁽¹¹⁾ The precise figure on capacity is confidential.

- (37) Secondly, according to the information provided by the applicant, several other chamois leather producers exist in China. The Commission does not dispose of information on the production capacity of those producers. However, the annual capacity of 7 million skins of Henan Prosper itself exceeds the entire Union consumption in the RIP (see Table 1 in recital (53)).
- (38) The Commission thus concluded that the Chinese producers of chamois leather disposed of sufficient production capacities that could be used to produce chamois leather for export to the Union should the anti-dumping measures lapse.

3.2.2. *Behaviour of the Chinese exporters on the markets of third countries*

- (39) During the RIP, the Chinese producers exported significant quantities of chamois leather to third countries other than the Union, in particular to Malaysia, Bangladesh, Singapore, Vietnam, Japan and the USA. The total volume of exports according to the Chinese Export Database represented 5,1 million square feet of chamois leather in the RIP.
- (40) The Commission compared the average price of chamois leather exported to the main export markets during the review investigation period with the average export price to the Union market. That comparison was made on the basis of the information provided by the Chinese Export Database ⁽¹²⁾.
- (41) The prices as reported by the Chinese Export Database showed significant differences of prices per kg between the exports to different countries in the RIP. It also showed that 72,8 % of the exported volumes from China to third countries were made at a lower price compared to the exports of the same product to the Union, which were found to be dumped. Therefore, exports from China to third countries of chamois leather were made at even lower prices than those to the Union.

3.2.3. *Attractiveness of the Union market*

- (42) Before the introduction of the measures, the Union was a traditional export market for the PRC. In the investigation period of the original investigation (April 2004 — March 2005), the Chinese imports to the Union had reached 6,6 million square feet of chamois leather, more than 28 times their current level of exports to the Union.
- (43) During the RIP, the average price level on the Union market (0,99 EUR per square foot) was higher than the Chinese average export price to other export markets, suggesting that there is an economic incentive for Chinese exporting producers to shift their exports to the Union should the anti-dumping measures be allowed to lapse.
- (44) Thus, in view of the fact that the Union was a traditional Chinese market before the imposition of the measures and because of the (high) prices, the Commission considers that should the anti-dumping measures lapse, the Union market will become more attractive for the Chinese producers and it is likely that they would try to increase their sales to the Union using their available capacities, rather than to start exporting to other markets.

3.2.4. *Conclusion on dumping and on the likelihood of continuation of dumping*

- (45) The investigation showed that Chinese imports of the product concerned continued to enter the Union market at dumped prices during the review investigation period. It also demonstrated that the production capacity in the PRC was very significant in comparison with the Union consumption during the review investigation period. That capacity is likely to be exported at least in part to the Union market, should the measures be allowed to lapse.
- (46) In addition, Chinese export prices to other markets were lower than to the Union. That pricing behaviour of the Chinese exports to third markets supports the likelihood of continuation of dumping to the Union, should the measures be allowed to lapse.
- (47) Finally, the attractiveness of the Union market in terms of size and prices indicated that it is likely that Chinese exports would be directed towards the Union market, should the measures be allowed to lapse.
- (48) Therefore, the Commission concluded that there is a strong likelihood that the repeal of the anti-dumping measures would result in significant dumped imports from the PRC to the Union, in other words, that there is a strong likelihood of continuation of dumping.

⁽¹²⁾ Export values are expressed in US dollar and on FOB basis. Quantities are expressed in kg.

4. INJURY

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

- (49) The like product was manufactured by two producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (50) The total Union production during the investigation period was established at 4 to 5 million square feet. The Commission established the figure on the basis of all the available information concerning the Union industry, namely data collected from the two cooperating Union producers during the investigation. These two cooperating Union producers represent 100 % of the total Union production.
- (51) Since the microeconomic and macroeconomic injury indicators are based on data of two companies only, they are presented in an indexed format in order to preserve confidentiality, pursuant to Article 19 of the basic Regulation.

4.2. Union consumption

- (52) The Commission established the Union consumption on the basis of the verified sales volumes of the Union industry on the Union market and of the import data from Eurostat.
- (53) The Union consumption developed as follows:

Table 1

Union Consumption (square feet)

| | 2014 | 2015 | 2016 | RIP |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Total Union consumption ('000 sq ft) | 25 000- 35 000 | 30 000- 40 000 | 35 000- 45 000 | 40 000- 50 000 |
| Index (2014 = 100) | 100 | 113 | 127 | 141 |

Source: Data provided by the applicant and Eurostat

- (54) The Union consumption increased steadily at a 13-14 % yearly rate and overall by 41 % during the period considered.

4.3. Imports from the PRC

4.3.1. Volume and market share

- (55) The Commission established the volume of imports on the basis of import data from Eurostat. The market share of the imports was established on the basis of the Union consumption as set out in recitals (52)-(54).
- (56) Imports into the Union from the PRC developed as follows:

Table 2

Import volume (square feet) and market share

| | 2014 | 2015 | 2016 | RIP |
|---|-------|------|------|-----|
| Volume of imports from the PRC ('000 sq ft) | 3 230 | 403 | 293 | 230 |
| Index (2014 = 100) | 100 | 12 | 9 | 7 |
| Market share of imports from the PRC (%) | 10-15 | 0-5 | 0-5 | 0-5 |

Source: Data from Eurostat

- (57) Import volumes from the PRC decreased sharply, from 3,2 million square feet in 2014 to 0,2 million square feet in the RIP, i.e. by 93 %, with a corresponding decrease in market share from 10-15 % to 0-5 % during the period considered. Chinese exporting producers are currently holding a very small market share, which supports the idea that the anti-dumping measures in force have been effective.

4.3.2. Prices of the imports from the PRC and price undercutting

- (58) The Commission established the prices of imports on the basis of the Eurostat data. The average price of imports into the Union from the country concerned developed as follows:

Table 3

Import prices (EUR/square feet)

| | 2014 | 2015 | 2016 | RIP |
|---|------|------|------|------|
| Price of imports from the PRC (EUR/sq ft) | 0,06 | 0,24 | 0,28 | 0,39 |
| Index (2014 = 100) | 100 | 417 | 490 | 668 |

Source: Data from Eurostat

- (59) Import prices risen continuously over the period considered. It is to note though that the base year shows a relatively low monetary value.
- (60) For the purpose of analysing price undercutting in the RIP, the weighted average sales price of the Union industry to unrelated customers on the Union market was compared to the corresponding weighted average import price from the PRC. For the comparison, the sales prices of the Union industry have been adjusted, in particular, for the credit notes, the delivery costs, packaging and commissions to an ex-works level. The import price from the PRC has been obtained from Eurostat and adjusted with customs tariff and post-importation costs.
- (61) The comparison showed that during the RIP the imports of the product concerned undercut the Union industry's prices by 36,6 %, taking into account the anti-dumping duty in place.

4.4. Imports from third countries

- (62) The imports from other third countries developed over the period considered as follows:

Table 4

Imports from third countries

| Country | | 2014 | 2015 | 2016 | RIP |
|---------|-------------------------|--------|--------|--------|--------|
| India | Volume ('000 sq ft) | 10 940 | 11 280 | 11 423 | 10 907 |
| | Index (2014 = 100) | 100 | 103 | 104 | 100 |
| | Market share (%) | 35-40 | 30-35 | 25-30 | 25-30 |
| | Average price EUR/sq ft | 0,55 | 0,53 | 0,61 | 0,65 |
| Turkey | Volume ('000 sq ft) | 2 157 | 2 360 | 2 720 | 2 043 |
| | Index (2014 = 100) | 100 | 109 | 126 | 95 |
| | Market share (%) | 5-10 | 5-10 | 5-10 | 0-5 |
| | Average price EUR/sq ft | 1,16 | 0,91 | 0,64 | 0,64 |

| Country | | 2014 | 2015 | 2016 | RIP |
|---|---------------------------|--------|--------|--------|--------|
| Nigeria | Volume ('000 sq ft) | 3 663 | 8 890 | 15 930 | 22 607 |
| | <i>Index (2014 = 100)</i> | 100 | 243 | 435 | 617 |
| | Market share (%) | 10-15 | 25-30 | 40-45 | 50-55 |
| | Average price EUR/sq ft | 0,38 | 0,73 | 0,96 | 0,85 |
| New Zealand | Volume ('000 sq ft) | 1 833 | 2 127 | 1 673 | 1 783 |
| | <i>Index (2014 = 100)</i> | 100 | 116 | 91 | 97 |
| | Market share (%) | 5-10 | 5-10 | 0-5 | 0-5 |
| | Average price EUR/sq ft | 0,72 | 0,89 | 0,78 | 0,74 |
| Pakistan | Volume ('000 sq ft) | 1 480 | 927 | 517 | 727 |
| | <i>Index (2014 = 100)</i> | 100 | 63 | 35 | 49 |
| | Market share (%) | 0-5 | 0-5 | 0-5 | 0-5 |
| | Average price EUR/sq ft | 0,66 | 0,88 | 0,87 | 0,82 |
| Rest of the world | Volume ('000 sq ft) | 2 823 | 4 920 | 2 123 | 903 |
| | <i>Index (2014 = 100)</i> | 100 | 174 | 75 | 32 |
| | Market share (%) | 5-10 | 10-15 | 5-10 | 0-5 |
| | Average price EUR/sq ft | 0,57 | 0,43 | 0,50 | 0,85 |
| Total of all third countries except the PRC | Volume ('000 sq ft) | 26 127 | 30 907 | 34 680 | 39 200 |
| | <i>Index (2014 = 100)</i> | 100 | 118 | 133 | 150 |
| | Market share (%) | 75-80 | 85-90 | 85-90 | 90-95 |
| | Average price EUR/sq ft | 0,54 | 0,63 | 0,78 | 0,77 |

Source: Data from Eurostat and questionnaire replies

- (63) During the period considered, the total volume of imports from other third countries into the Union continuously increased, from approximately 26 million square feet in 2014 to approximately 39 million square feet in the RIP, i.e. by 50 %. These imports accounted for a Union market share of 90-95 % in the RIP (up from 75-80 % in 2014). Considered altogether, other third countries seem to have fully benefited from the increase of 41 % in the Union consumption as referred in recital (54).
- (64) By country, the biggest market share is represented by imports from Nigeria, 52,5 % in the RIP. The other main sources of supply of chamois leather to the Union were India, Turkey and New Zealand.
- (65) Imports from Nigeria deserve special mention. Volumes have grown sharply, rising steadily and almost fivefold over the period considered. In fact only Nigeria's market share grew during the period considered. In 2014, Nigerian imports held a market share of 12 % whereas in the RIP one out of two chamois leather sales were from Nigerian origin.

4.5. Economic situation of the Union industry

4.5.1. General remarks

- (66) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.

- (67) For the injury determination, the Commission did not make a distinction between macroeconomic and microeconomic injury indicators since the Union industry, within the meaning of Article 4(1) of the basic Regulation, is constituted of only two producers. The Commission evaluated the economic indicators on the basis of data related to these two producers.
- (68) The injury indicators are: production, production capacity, capacity utilisation, sales volume, market share, employment, productivity, labour costs, magnitude of the dumping margin, and recovery from past dumping, sales unit prices, unit cost, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital. They are analysed as follows.

4.5.2. Injury indicators

4.5.2.1. Production, production capacity and capacity utilisation

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

Table 5

Production, production capacity and capacity utilisation

| | 2014 | 2015 | 2016 | RIP |
|----------------------------------|--------------|--------------|--------------|--------------|
| Production volume ('000 sq ft) | 3 000-4 000 | 4 000-5 000 | 4 000-5 000 | 4 000-5 000 |
| <i>Index (2014 = 100)</i> | 100 | 128 | 122 | 120 |
| Production capacity ('000 sq ft) | 7 000-10 000 | 7 000-10 000 | 7 000-10 000 | 7 000-10 000 |
| <i>Index (2014 = 100)</i> | 100 | 100 | 100 | 100 |
| Capacity utilisation (%) | 40-50 | 50-60 | 50-60 | 50-60 |
| <i>Index (2014 = 100)</i> | 100 | 128 | 122 | 120 |

Source: Data from questionnaire replies

- (70) The production volume of the Union industry increased by 20 % over the period considered.
- (71) Production capacity remained stable between 2014 and the RIP, with average capacity utilization rates fluctuating based on production levels over the same period. Overall, between 2014 and the RIP capacity utilisation increased, but remained at low levels by historical standards. It should be noted that low utilization rates normally affect costs per unit, since overheads are spread over meagre volumes of production.

4.5.2.2. Sales volume and market share

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

Table 6

Sales volume and market share of the Union industry

| | 2014 | 2015 | 2016 | RIP |
|--|-------------|-------------|-------------|-------------|
| Union sales volume to unrelated customers ('000 sq ft) | 4 000-5 000 | 3 000-4 000 | 3 000-4 000 | 3 000-4 000 |
| <i>Index (2014 = 100)</i> | 100 | 82 | 89 | 90 |

| | 2014 | 2015 | 2016 | RIP |
|---------------------------|-------|-------|-------|------|
| Market share (%) | 10-15 | 10-15 | 10-15 | 5-10 |
| <i>Index (2014 = 100)</i> | 100 | 72 | 71 | 63 |

Source: Data from Eurostat and questionnaire replies

- (73) Overall the Union sales volume did not follow the upward trend observed in consumption. While Union consumption increased by 41 % during the period considered (see recital (54)) the sales volume of the like product by the Union industry to independent customers on the Union market decreased by 10 % during the same period resulting in a significant decrease of the market share of the Union industry in the Union.

4.5.2.3. Employment and productivity

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

Table 7

Employment and productivity

| | 2014 | 2015 | 2016 | RIP |
|-----------------------------------|-------|-------|-------|-------|
| Number of employees | 50-60 | 60-70 | 60-70 | 70-80 |
| <i>Index (2014 = 100)</i> | 100 | 122 | 122 | 151 |
| Productivity (sq ft per employee) | 70-80 | 70-80 | 70-80 | 50-60 |
| <i>Index</i> | 100 | 105 | 100 | 79 |

Source: Data from questionnaire replies

- (75) The Union industry increased the level of employment by 51 % over the period considered. However, the productivity of the Union industry's workforce, measured as output per person employed per year, declined by 21 %, as a result of employment increasing at a higher pace than production.

4.5.2.4. Magnitude of the dumping margin and recovery from past dumping

- (76) The indicators examined above show that, notwithstanding the anti-dumping measures in force since 2006, the economic and financial situation of the Union industry has remained substantially fragile and injurious. Thus, no full recovery from the past dumping could be established. Given the current high dumping margin established for imports of chamois leather from the PRC, it is considered that the Union industry, notwithstanding the current low volumes, remains vulnerable to the injurious effect of any dumped imports in the Union market.

4.5.2.5. Prices and factors affecting domestic prices

- (77) The weighted average unit sales prices of the Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 8

Sales prices in the Union

| | 2014 | 2015 | 2016 | RIP |
|---------------------------------------|------|------|------|-----|
| Average unit sales price in the Union | 100 | 107 | 101 | 106 |
| <i>Index (2014 = 100)</i> | | | | |
| Unit cost of production | 100 | 110 | 100 | 107 |
| <i>Index (2014 = 100)</i> | | | | |

Source: Data from questionnaire replies

- (78) The average sales prices of the Union producers increased by 6 % over the period considered. At the same time, the unit cost of production of the Union industry increased by 7 %. The main driver for this increase was the rise of raw material prices (namely raw skin).

4.5.2.6. Labour costs

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

Table 9

Average labour costs per employee

| | 2014 | 2015 | 2016 | RIP |
|--|------|------|------|-----|
| Average labour costs per employee <i>Index (2014 = 100)</i> | 100 | 89 | 84 | 72 |

Source: Data from questionnaire replies

- (80) The average labour cost per employee decreased by 28 % over the period considered.

4.5.2.7. Inventories

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

Table 10

Inventories

| | 2014 | 2015 | 2016 | RIP |
|---|------|------|------|-----|
| Closing stocks <i>Index (2014 = 100)</i> | 100 | 153 | 155 | 153 |

Source: Data from questionnaire replies

- (82) The level of closing stocks of the Union industry increased significantly by 53 % between 2014 and the RIP.

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

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

Table 11

Profitability, cash flow, investments and return on investments

| | 2014 | 2015 | 2016 | RIP |
|--|-------|-------|-------|-------|
| Net Profit of EU sales to unrelated customers <i>Index (2014 = 100)</i> | - 100 | - 137 | - 89 | - 108 |
| Cash flow <i>Index (2014 = 100)</i> | 100 | - 287 | - 76 | - 132 |
| Investments <i>Index (2014 = 100)</i> | 100 | 174 | 26 | 94 |
| Return on investments <i>Index (2014 = 100)</i> | - 100 | - 107 | - 150 | - 257 |

Source: Data from questionnaire replies

- (84) The Commission established the profitability of the Union industry 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. The Union industry was loss-making throughout the whole period considered. From 2014 to the RIP, losses were consistent and increased overall by 8 %. This negative trend coincided in time with the dynamic growth of the Union consumption explained in recital (54). As indicated in the recital (64), this growth was almost completely served by imports from other third countries.
- (85) The net cash flow is the ability of the Union producers to self-finance their activities. This net cash flow from operating activities decreased significantly over the period considered, a fall that is mainly explained by the significant losses.
- (86) The return on investments is the profit in percentage of the net book value of investments. The return on investment was negative throughout the period considered.
- (87) Investments made throughout the period considered were not used to increase production capacity. Rather, any investments were predominantly destined at the maintenance and updating of already existent capacities. The year 2015 outstanding figure is due to the reallocation of the production facilities of one of the Union producers from one Member State to another.
- (88) The ability to raise capital has been affected by the losses incurred during the period considered.

4.5.3. *Conclusion on injury*

- (89) During the period considered, the financial situation of the Union industry remained precarious. In particular, the Union industry's indicators such as profitability, cash flow and return on investments showed significant negative results. The Union industry also experienced a considerable reduction in its market share. The negative development in the market share coincided with an overall increase of the demand of chamois leather in the Union market, which benefited imports from third countries other than the PRC. Some of the negative trends observed can be explained by the cumulative effect of a series of factors that, acting altogether, further deteriorated the state of the Union industry, which was still in a fragile situation in the RIP. Amongst those factors, the most prominent was the surge of imports from Nigeria at lower prices than the Union industry's prices.
- (90) A few injury indicators developed positively during the period considered. Production volume increased by 20 % and capacity utilisation by 9 %. Those increases, however, did not translate into higher sales in the Union market.
- (91) Whilst imports from the PRC decreased drastically during the period considered, from over 3 million square feet in 2014 to around 230 000 square feet during the RIP, leading to a decrease of a market share from 10-15 % to 0-5 %, the total volume of imports from third countries increased significantly.
- (92) It is therefore likely that the increase of those third countries imports have impeded any possible recovery of the Union industry from the injurious effect previously caused by Chinese dumped imports, particularly as of 2015 when Chinese imports started to decrease.
- (93) However, still in 2014, the PRC held a market share in the Union of more than 10 %. Therefore, although in the RIP, the dumped imports from the PRC decreased considerably, their market share in the period preceding the RIP and in particular in 2014 was still relatively high. Moreover, in the RIP, the prices of these imports significantly undercut the Union prices. Therefore, it cannot be excluded that these imports, despite their decrease in the RIP, contributed significantly to the material injury of the Union industry.
- (94) The Commission thus concluded that the Union industry has benefitted from the original measures, as it showed some improvements throughout the period considered in comparison to the situation found during the original investigation period. However, the Union industry is recovering at a slow pace and continues to be in a fragile and vulnerable situation, on account of the abovementioned factors. Accordingly, in the review investigation period, the Union industry was found suffering material injury as shown by the evolution of indicators defined in Article 3(5) of the basic Regulation.

5. **LIKELIHOOD OF CONTINUATION OF INJURY IF MEASURES ARE REPEALED**

- (95) The investigation has shown that the imports from the PRC were made at dumped price levels during the RIP (recital (31)) and that there was a likelihood of continuation of dumping should the measures be allowed to

lapse (recital (48)). The investigation also concluded as stated in recital (94) that the Union industry suffered injury. Therefore, the Commission assessed whether there would be a likelihood of continuation of injury originally caused by Chinese dumped imports if the measures were allowed to lapse, in accordance with Article 11(2) of the basic Regulation.

- (96) To establish the likelihood of continuation of injury, the following elements were analysed by the Commission: spare capacity in the PRC, attractiveness of the Union market, likely price levels from Chinese imports in the absence of anti-dumping measures, and their impact on the Union industry.

5.1. Spare capacity, trade flows and attractiveness of the Union market

- (97) During the previous expiry review, it was found that the Chinese exporters had excessive spare capacities when compared to the size of the European market, capacities that could not be fully absorbed by the Chinese domestic demand and export markets other than the Union market. In the absence of information to the contrary, it can be presumed that the spare capacities were the same during the current period considered.
- (98) The investigation established that almost 75 % of the exported volumes from China to third countries during the RIP were made at a lower price compared to the exports of the same product to the Union (see recital (43)). There are no indications or evidence that this situation will change at least in the short run.
- (99) In terms of higher prices, the Union market is thus more attractive for the Chinese exporting producers than 2/3 of their other markets to which the Chinese exporting producers exported in the RIP. The Union's market attractiveness would further increase in absence of duties should the measures lapse.
- (100) Also, prior to the imposition of measures the Union market was a traditional export market for the Chinese exporting producers who had, during the original investigation period, more than 30 % of the Union market share.
- (101) The investigation also showed that the imports from the PRC excluding the anti-dumping duty would have undercut the Union sales prices by 59,7 % in the RIP. This is an indication of the likely price level of imports from the PRC should the measures be repealed.
- (102) The prices of the Chinese imports are as well significantly lower than prices of other imports to the Union market (see Tables 3 and 4). The investigation showed that the prices of the Chinese imports in the RIP were approximately 50 % lower than the average import price from other third countries to the Union. Therefore, it is likely that the Chinese imports would replace these imports and further exercise price pressure at the price levels on the Union markets.

5.2. Effect on the Union industry situation

- (103) Given the high capacities in the PRC and the attractiveness of the Union market and other elements as summarised above in recitals (97) to (102), it is likely that if measures were repealed, the Chinese exporting producers would resume its exports to the Union market in significant quantities and at dumped prices, significantly undercutting Union producers' prices.
- (104) This would have a negative impact on the Union industry as these significant added volumes of imports would depress the sales prices that the Union industry can achieve, reduce the Union industry's volume of sales and also its capacity utilisation, as a result of which its production costs would increase. The expected increase of low priced dumped imports would thus cause a further and strong deterioration of the financial results of the Union industry, in particular profitability.

5.3. Conclusion

- (105) Therefore, the Commission concluded that the repeal of the measures would in all likelihood result in a significant increase of Chinese dumped imports at prices undercutting the Union industry prices, further aggravating the injury suffered by the Union industry. As a consequence, the viability of the Union industry would be at serious risk.

6. UNION INTEREST

- (106) In accordance with Article 21 of the basic Regulation, the Commission examined whether maintaining the existing anti-dumping measures on chamois leather imports from the PRC would be against the interest of the Union as a whole.

- (107) All interested parties were given the opportunity to make their views known pursuant to Article 21(2) of the basic Regulation.
- (108) It was examined whether there were compelling reasons to conclude that it was not in the Union interest to maintain the existing measures.

6.1. Interest of the Union industry

- (109) Although the anti-dumping measures in force prevented dumped imports from entering the Union market to a large extent, the Union industry remains in a precarious situation, as confirmed by the negative trends of certain injury indicators.
- (110) Should the anti-dumping measures be allowed to lapse, it is reasonable to presume that the likely influx of substantial volumes of dumped imports from the country concerned would cause further injury to the Union industry. That influx would likely cause as well, amongst others, loss of market share, decrease in sales prices, decrease in capacity utilisation and in general a serious deterioration of the Union industry's financial situation.
- (111) The Commission thus concluded that the maintenance of anti-dumping measures against imports of chamois leather from the PRC is in the interest of the Union industry.

6.2. Interest of unrelated importers and users

- (112) In the original investigation it was found that the imposition of anti-dumping measures was not likely to have a serious negative effect on the situation of importers and users in the Union. No importer cooperated in this investigation.
- (113) In the absence of any cooperation from importers and users in the present expiry review, the Commission considers that its findings in the original investigation are still valid and that the continuation of measures would not negatively affect the Union importers and users, or at least not to any significant extent.

6.3. Conclusion on Union interest

- (114) Therefore, the Commission concluded that there were no compelling reasons of Union interest against the maintenance of the current anti-dumping measures on imports of the product concerned originating in China.

7. DISCLOSURE

- (115) All parties were informed of the essential facts and considerations on the basis of which it was intended to recommend that the existing anti-dumping measures be maintained. They were also granted a period to submit comments subsequent to that disclosure. No comments were received.

8. ANTI-DUMPING MEASURES

- (116) Therefore, and pursuant to Article 11(2) of the basic Regulation, the Commission concludes that the anti-dumping measures applicable to imports of chamois leather originating in the PRC, imposed by Implementing Regulation (EU) No 1153/2012, should be maintained.
- (117) In view of the case-law of the Court of Justice ⁽¹³⁾, it is appropriate to provide for the rate of default interest to be paid in case of any potential reimbursement of definitive duties, because the relevant provisions in force concerning customs duties do not provide for such an interest rate, and the application of national rules would lead to undue distortions between economic operators depending on which Member State is chosen for customs clearance.
- (118) The Committee established by Article 15(1) of Regulation (EU) 2016/1036 did not deliver an opinion on the measures provided for in this Regulation.

⁽¹³⁾ Judgment of the Court (Third Chamber) of 18 January 2017, C-365/15, *Wortmann v Hauptzollamt Bielefeld*, EU:C:2017:19, paragraphs 35 to 39.

HAS ADOPTED THIS REGULATION:

Article 1

1. A definitive anti-dumping duty is imposed on imports of chamois leather and combination chamois leather, whether or not cut to shape, including crust chamois leather and combination crust chamois leather, currently falling within CN codes 4114 10 10 and 4114 10 90 and originating in the People's Republic of China.
2. The rates of the definitive anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 shall be 58,9 %.
3. Unless otherwise specified, the provisions in force concerning customs duties shall apply. The default interest to be paid in case of reimbursement that gives rise to a right to payment of default interest shall 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*, in force on the first calendar day of the month in which the deadline falls, increased by one percentage point.

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, 20 February 2019.

For the Commission
The President
Jean-Claude JUNCKER
