

EN

FR

FR





COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 4.4.2008  
COM(2008)173 final

Proposal for a

**COUNCIL REGULATION**

**imposing a definitive anti-dumping duty on imports of coumarin originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 384/96 extended to India, Thailand, Indonesia and Malaysia**

(presented by the Commission)

## **EXPLANATORY MEMORANDUM**

### **CONTEXT OF THE PROPOSAL**

#### **Grounds for and objectives of the proposal**

This proposal concerns the application of Council Regulation (EC) N 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community, as last amended by Council Regulation (EC) N 2117/2005 of 21 December 2005 ('the basic Regulation') to imports of coumarin originating in the People's Republic of China.

#### **General context**

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

#### **Existing provisions in the area of the proposal**

Council Regulation (EC) No 600/96 of 25 March 1996 imposing a definitive anti-dumping duty on imports of coumarin originating in the People's Republic of China

Council Regulation (EC) No 769/2002 of 7 May 2002 imposing a definitive duty on imports of coumarin originating in the People's Republic of China

Council Regulation (EC) No 2272/2004 of 22 December 2004 extending the definitive anti-dumping duty imposed by Regulation (EC) N 769/2002 on imports of coumarin originating in the People's Republic of China to imports of coumarin consigned from India or Thailand, whether declared as originating in India or Thailand or not.

Commission Decision No 2005/3/EC of 3 January 2005 accepting an undertaking offered in connection with the anti-circumvention investigation concerning anti-dumping measures imposed by Council Regulation (EC) No 769/2002 on imports of coumarin originating in the People's Republic of China to imports of coumarin consigned from India or Thailand, whether declared as originating in India or Thailand or not.

Council Regulation (EC) No 1650/2006 of 7 November 2006 extending the definitive anti-dumping duty imposed by Regulation (EC) No 769/2002 on imports of coumarin originating in the People's Republic of China to imports of coumarin consigned from Indonesia or Malaysia, whether declared as originating in Indonesia or Malaysia or not.

#### **Consistency with the other policies and objectives of the Union**

Not applicable.

### **CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT**

#### **Consultation of interested parties**

Interested parties concerned by the proceedings have had the possibility to defend their

interests during the investigation in line with the provisions of the basic Regulation.

### **Collection and use of expertise**

There was no need for external expertise.

### **Impact assessment**

This proposal is the result of the implementation of the basic Regulation.

The basic Regulation does not foresee a general impact assessment but contains an exhaustive list of conditions that have to be assessed.

## **LEGAL ELEMENTS OF THE PROPOSAL**

### **Summary of the proposed action**

An expiry review concerning the anti-dumping measures in place since 1996 on imports of coumarin originating in the People's Republic of China pursuant to Article 11(2) of the basic Regulation was initiated on 8<sup>th</sup> May 2007. The investigation confirmed the likelihood of continuation or recurrence of dumping and injury and it is hereby proposed to maintain the anti-dumping measures on imports of coumarin, at the same level.

Member States were consulted at the Anti-Dumping Committee of 12 March 2008 and 24 were in favour of the proposal.

It is therefore proposed that the Council adopts the attached proposal for a Regulation which should be published in the Official Journal of the European Union on the 7<sup>th</sup> May 2008 at the latest.

### **Legal basis**

Council Regulation (EC) No 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community, as last amended by Council Regulation (EC) No 2117/2005 of 21 December 2005

### **Subsidiarity principle**

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

### **Proportionality principle**

The proposal complies with the proportionality principle for the following reason.

The form of action is described in the basic Regulation and leaves no scope for national decision.

### **Choice of instruments**

Proposed instruments: regulation.

Other means would not be adequate for the following reason.

Other means would not be adequate because the basic Regulation does not foresee alternative options.

### **BUDGETARY IMPLICATION**

The proposal has no implication for the Community budget.

*(Explanatory memorandum validated - 2 742 characters - complying with DGT norm.)*

Proposal for a

## COUNCIL REGULATION

### **imposing a definitive anti-dumping duty on imports of coumarin originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 384/96 extended to India, Thailand, Indonesia and Malaysia**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to Council Regulation (EC) No 384/96 of 22 December 1995 on protection against dumped imports from countries not members of the European Community<sup>1</sup>, and in particular Articles 9, 11(2), 8 and 13 thereof,

Having regard to the proposal submitted by the Commission after consulting the Advisory Committee,

Whereas:

#### A. PROCEDURE

##### 1. Measures in force

- (1) The Council, by Regulation (EC) N° 769/2002<sup>2</sup> imposed a definitive anti-dumping duty of 3 479 EUR per tonne on imports of coumarin originating in the People's Republic of China and extended to imports consigned from India and Thailand by Council Regulation (EC) N° 2272/2004<sup>3</sup> and to imports consigned from Indonesia and Malaysia by Council Regulation (EC) N° 1650/2006<sup>4</sup>.
- (2) The Commission, by a Decision<sup>5</sup> dated 3 January 2005, accepted an undertaking offered by an Indian producer in connection with the investigation into alleged circumvention of the anti-dumping measures by imports of coumarin consigned from India or Thailand.

##### 2. Request for a review

- (3) The request was lodged on 8 February 2007 by the European Chemical Industry Council (CEFIC) ('the applicant') on behalf of the sole producer in the Community, representing the totality of the Community production of coumarin.

---

<sup>1</sup> OJ L 56, 6.3.1996, p. 1. Regulation as last amended by Regulation (EC) No 2117/2005 (OJ L 340, 23.12.2005, p. 17).

<sup>2</sup> OJ L 123, 9.5.2002, p. 1. Regulation as amended by regulation (EC) No 1854/2003 (OJ 272, 23.10.2003, p.1).

<sup>3</sup> OJ L 396, 31.12.2004, p.18

<sup>4</sup> OJ L 311, 10.11.2006, p.1

<sup>5</sup> OJ L 1, 4.1.2005, p.15

- (4) The applicants alleged and provided sufficient prima facie evidence that: (a) there is a likelihood of continuation or recurrence of dumping and injury to the Community industry, and (b) the imports of the product concerned from the People's Republic of China have continued to enter the Community in significant quantities and at dumped prices.
- (5) It was also alleged that the volumes and the prices of the imported product concerned have continued, among other consequences, to have a negative impact on the level of prices charged by the Community industry, resulting in substantial adverse effects on its financial situation and its employment.
- (6) Furthermore, the applicant pointed out that during the period of imposition of measures, the exporters/producers of the product concerned from the People's Republic of China has undermined the existing measures by circumvention practices, which have been counteracted by the extension of measures as enacted by Council Regulation (EC) N° 2272/2004 and Council Regulation (EC) N° 1650/2006.

### 3. Initiation

- (7) Having determined, after consultation of the Advisory Committee, that sufficient evidence existed for the initiation of an expiry review, the Commission initiated an investigation pursuant to Article 11(2) of the basic Regulation by a notice published in the *Official Journal of the European Community*<sup>6</sup>.

### 4. Period of investigation

- (8) The review investigation period ('RIP') for the examination of continuation or recurrence of dumping and injury covered the period from 1 April 2006 to 31 March 2007. The examination of trends relevant for the assessment of continuation or recurrence of injury covered the period from 1 January 2003 up to the end of the RIP ('period under review').

### 5. Parties concerned by the investigation

- (9) The Commission officially advised the applicant Community producer, the exporting producers in the PRC and their representatives, the Chinese authorities and the importers, users and associations known to be concerned, of the initiation of the review. The Commission sent questionnaires to exporting producers, a producer in India (analogue country as mentioned at recital (26)), the sole Community producer, known importers and users and to those parties which made themselves known within the time limit set in the notice of initiation of the review.

#### Sampling for exporters/producers in the People's Republic of China

- (10) In view of the apparent number of exporting producers involved in this proceeding, the use of sampling techniques was envisaged in the notice of initiation in accordance with Article 17 of the basic Regulation. In order to decide whether sampling would be necessary and, if so, to select a sample, all exporting producers were asked to make themselves known and to provide, as specified in the notice of initiation, basic

---

<sup>6</sup> OJ C 103, 8.5.2007, p. 15.

information on their activities related to coumarin during the investigation period. Two companies in the People's Republic of China replied to the sampling questionnaire but only one indicated its willingness to cooperate and replied to the dumping questionnaire, as follows :

- Nanjing Jingqiao Perfumery/China Tuhsu Flavours & Fragrances Imp. & Exp. Corp.

(11) The Community producer and four importers/users replied to the questionnaires. With respect to the analogue country, the Indian producer contacted by the Commission services refused to cooperate.

#### 6. Verification of information received

(12) The Commission sought and verified all information it deemed necessary for the purpose of the determination of the likelihood of continuation or recurrence of dumping and injury and of Community interest. The Commission also gave the parties directly concerned the opportunity to make their views known in writing and to request a hearing.

(13) Verification visits were carried out at the premises of the following companies:

Community producer:

- Rhodia Organics, (Lyon) France

Importers/Users:

- Henkel KGaA, (Krefeld) Germany

### B. PRODUCT CONCERNED AND LIKE PRODUCT

#### 1. Product concerned

(14) The product concerned is the same as in the original investigation, i.e. coumarin, a whitish crystalline powder with the characteristic odour of newly mown hay. Its main uses are as an aroma chemical and as a fixative in the preparation of fragrance compounds, such compounds being used in the production of detergents, cosmetics and fine fragrances.

(15) Coumarin, which was originally a natural product obtained from Tonka beans, is now produced synthetically. It can be obtained by a synthesis process starting from phenol to obtain salicylaldehyde (Perkin reaction) or by a synthesis from orthocresol (Raschig reaction). The main physical specification of coumarin is its purity, of which the melting point is the indicator. The standard quality coumarin marketed in the Community has a melting point varying between 68°C and 70°C which corresponds to 99% purity.

(16) The product concerned falls within CN code ex 2932 21 00.

#### 2. Like product

- (17) As in the original investigation, coumarin exported to the Community from the PRC as well as coumarin produced and sold by the Community industry in the Community market were found to have effectively identical physical characteristics and uses and are thus like products within the meaning of Article 1(4) of the basic Regulation.

## C. LIKELIHOOD OF A CONTINUATION OR RECURRENCE OF DUMPING

### 1. General Issues

- (18) In accordance with Article 11(2) of the basic Regulation, it was examined whether dumping was currently taking place and whether or not the expiry of the measures would be likely to lead to a continuation or recurrence of dumping.
- (19) In accordance with Article 11(9) of the basic Regulation, the same methodology was used as in the original investigation. As an expiry review does not provide for any examination of changed circumstances, it was not reconsidered whether producers were entitled to market economy treatment ('MET').
- (20) Statistical data showed that about 214 tonnes were imported to the EU from all sources, out of which about 137 tonnes originated in China, representing around 20 % of EU consumption

### 2. Sampling (exporters) and co-operation

- (21) It is recalled that, in the previous investigation, the results of which were published in May 2002, there was no co-operation from Chinese exporting producers and none were awarded MET or IT.
- (22) Sampling forms were sent out to 21 potential producers/exporters in the PRC but only two companies responded, only one of which co-operated with the investigation by completing a questionnaire response; sampling, therefore, was not warranted. This single response covered around 5% of Chinese imports in the RIP. In terms of capacity this co-operator possessed around 17% of total Chinese capacity.
- (23) In light of this very low level of co-operation and the limited representativeness of one company of the Chinese market and production, it was determined that no reliable information on imports of the product concerned to the Community during the RIP could be gathered directly from the exporting producers. Under these circumstances, and in accordance with Article 18 of the basic Regulation, the Commission resorted to the use of the facts available, i.e. CN code data. Nevertheless, the information in the single questionnaire response was used to the extent possible to cross check the results based on the data available pursuant to Article 18.
- (24) It was established that the CN code data were the best facts available for most of the aspects of this investigation. TARIC data and data collected under Article 14(6) of the basic Regulation confirmed the accuracy of the CN code figures.
- (25) Wherever warranted, export price data from co-operating producers and Chinese export statistics available to the Commission (which also included products other than the product concerned) used as a complement.

### 3. Analogue country

(26) Coumarin is a fragrance produced in only a few countries around the world and therefore the choice for an analogue country was extremely limited. According to the information available to the investigation, the only producing countries during the RIP were France, China and India. The USA was used in the previous review investigation but the company had since ceased its production. India was suggested in the Notice of Initiation but no Indian producer agreed to co-operate.

(27) In light of these findings the normal value had to be established "on any other reasonable basis" in accordance with Art. 2(7)(a) of the basic Regulation. The Community industry data was considered reasonable for such a purpose.

#### 4. Dumping during the review investigation period

(28) For the reasons explained at recital (23), dumping margins were calculated using CN code data which were cross-checked with the information received from the sole cooperating Chinese exporting producer. The export prices of the imports from China were adjusted to ensure that they were on a comparable basis to the normal value. These adjustments ensured that the calculations were made on the ex works basis and the difference between the export price and the normal value was expressed as a percentage of the CIF export price. On this basis, the margin of dumping was around 45% during the RIP.

#### 5. Price comparisons

(29) It was clear that should the measures be allowed to lapse that there was a clear incentive for the Chinese exporters to sell high volumes on the very large EU market. This conclusion is based on the following information calculated during the investigation:

- i) Chinese domestic prices in the RIP were around 25% lower than those on the EU market;
- ii) The Chinese producers sell most of their production on export markets because their domestic market is not large enough to absorb all their production and because domestic prices are similar to those achievable in third country markets;
- iii) Community market prices were higher than the export prices to third countries achieved by the Chinese exporting producers, which would signal that dumping exists also in other third country markets and that there would be a significant incentive for producers in the PRC to re-direct their exports to the Community

#### 6. Unused capacity and stocks in the PRC

(30) In the previous investigation which concluded in May 2002, it was established that there was an enormous availability of unused Chinese production capacity (between 50% and 60% of production capacity). Due to the low co-operation rate of the Chinese exporting producers very little information was made available to the investigation concerning current unused capacity and stocks in the PRC.

- (31) However, according to its questionnaire response, the sole co-operator had substantial unused capacity. This producer had around 500 tonnes in stock at the end of the RIP, which represented more than 70% of the EU market in the RIP. Bearing in mind that this producer only represents between 15-20% of the Chinese production capacity it is likely that even higher stocks are available to penetrate the EU market should measures be repealed.

7. Possible absorption capacity of third country markets or home market of PRC

- (32) Bearing in mind the above price comparisons and availability of unused capacity and stocks it cannot be argued that Chinese production will be absorbed by third country markets and the Chinese domestic market. This is because consumption on the third country markets has remained relatively stable over the past 10 years and is expected to remain stable in the future. Bearing this in mind it is evident that the Chinese producers are likely to need to continue to export to the Community. This is due to the fact that the EU market is one of the most attractive in the world bearing in mind its size and the relatively high prices that can be achieved. If measures are repealed, it is clear that even larger volumes of dumped imports would be re-directed into the EU market.

8. Circumvention practices

- (33) As mentioned in recital (1), the measures under review have been extended to India, Thailand, Malaysia and Indonesia as a result of a circumvention investigation. This indicates the strong interest of the Chinese producers to enter the Community market and their willingness to do so even when anti-dumping measures are in place. The existence of the circumvention practices therefore support the conclusion that there is a strong likelihood that greater levels of dumped imports would return to the Community market should the measures be repealed.

9. Conclusion on the likelihood of a continuation and/or recurrence of dumping

- (34) On the basis of the above, it is concluded that dumping is likely to continue should measures be repealed.

#### D. DEFINITION OF THE COMMUNITY INDUSTRY

- (35) The company represented by the applicant was the only producer of coumarin in the Community during the investigation period. This Community producer is therefore deemed to constitute the Community industry within the meaning of Article 4(1) and Article 5(4) of the basic Regulation.

#### E. ANALYSIS OF THE SITUATION IN THE COMMUNITY

1. Community consumption<sup>7</sup>

- (36) The product under review constitutes a part of a single CN Code. In order to establish the volume of products within this CN code which are not the product concerned the

---

<sup>7</sup> For confidentiality reasons, given that one single Community producer constitutes the Community industry; the figures contained in this Regulation will be indexed or given approximately.

Commission services compared CN data with other available statistical sources as mentioned in recital (23). This comparison showed that almost 100% of the products imported under this code were in fact the product concerned.

- (37) The Community consumption was therefore established in adding the full CN Code data for the imports into the European Community to the sales volumes of the Community industry on the Community market as reported in the questionnaire reply.
- (38) Overall, the apparent consumption of coumarin decreased by 8% during the period under review, with a decrease until 2005 and an increase thereafter. Consumption levels would now have appeared to have stabilised.
- (39) The Community consumption developed as follows:

*Table 1*

	2003	2004	2005	2006	RIP
Community consumption (index 2003=100)	100	91.4	82.4	90	92.3

## 2. Imports from the country concerned

### (a) Volume and market share

- (40) As explained in recital (36) CN code 2932 21 00 was used as the source for the imports of the product concerned onto the Community.
- (41) With respect to the Chinese imports, attention must be paid to the proven circumvention practices that led to the extension of measures to imports of coumarin from India, Thailand, Indonesia and Malaysia. As a consequence of the anti-circumvention measures adopted, imports originating in the PRC as well as imports originating in PRC but shipped from other countries have decreased during the period under review. While the imports of Chinese origin is still significant this decrease showed that the anti circumvention measures were effective.
- (42) As explained in recital (38) the apparent consumption decreased in the period considered. The Chinese imports diminished even further in proportion to the consumption resulting in a loss of market share in the Community to the benefit of the Community industry. The volume of imports from third countries into the Community remained at the same level during the period under review.

*Table 2*

	2003	2004	2005	2006	RIP
Volume of dumped imports (index 2003 = 100)	100	99.4	49.7	47	50.1
Volume of imports from third countries	100	78	74.7	65.5	66.6

Range of market share of dumped imports	30% - 40%	40% - 50%	20% - 30%	10% - 20%	20% - 30%
---	-----------	-----------	-----------	-----------	-----------

(b) Prices

- (43) Over the period under review, the average CIF prices of the coumarin imported from China were steadily far below the Community industry's prices.

3. Economic situation of the Community industry

(a) Production

- (44) The Community industry had to decrease its production volume of the product concerned by 25% between 2003 and the RIP. This is linked to the fact that from 2003 and onwards, the Community industry lost sales volume due to circumvention practices. Furthermore, it also lost sales volume in exports to third countries as the Community industry also in the third country export markets faced the pressure of low priced Chinese exports.

(b) Capacity and capacity utilisation

- (45) As explained in recital (36) to (39), the Community industry's sales of the product concerned in the Community were relatively stable throughout the period under revision. However, during the same period, the Community industry saw a serious decline in the volume exported to third countries. In these circumstances in order to optimise the level of capacity utilisation, the Community industry had to reduce capacity. This notwithstanding, capacity utilisation remained relatively low.

*Table 3*

	2003	2004	2005	2006	RIP
Production	100	63.4	66.3	70.3	75.4
Production capacity	100	63.5	63.5	63.5	63.5
Capacity utilisation	100	99.8	104.4	110.8	118.8

(c) Sales in the Community

- (46) The sales volume in the EC of the Community industry has increased by 36% during the period under review. This development was made possible due to the extension of the measures for a new period of 5 years and due to the effective elimination of circumvention practices. In consequence and as explained in recital (41), the Chinese imports decreased during that same period of time. Imports from India, the only other known third country producing coumarin, were limited-to that under the undertaking.

(d) Stocks

- (47) The level of the stocks of the Community industry decreased during the period under review

(e) Market shares

- (48) The Community industry gained market share during the period under review. As explained in recitals (41) and (42) the efficiency of the measures in place has allowed the Community industry to recover market share. The 22 percentage points increase of market share during the period under review was clearly linked to the elimination of the circumvention practices.

(f) Prices

- (49) The average net sales price of coumarin on the EC market decreased by 10% in 2004 in comparison with the prices of the year 2003. After 2004, the prices recovered gradually but never reached those of 2003 in the RIP. A full recovery in terms of price was thus far not reached, as would have been expected.
- (50) The price situation reflects the strong pressure by imports from China. Over the period considered, the average CIF prices of the imports from China were steadily far below the Community industry's prices. With the measures in place, during the RIP, coumarin originating in China was sold at the same prices as those of the Community industry. To this end the prices of Chinese exports has acted as ceiling forcing Community industry to align their prices accordingly. As a consequence, Community industry prices are severely depressed and the industry shows low profitability.
- (51) For the purpose of determining the continuation of undercutting by coumarin originating in China, Community industry's ex-works prices to unrelated customers have been compared with the CIF Community frontier import prices using CN code data as explained in recitals (23). The comparison showed that while prices were close to the non-injurious price established for the Community industry, imports were not undercutting the prices of the Community industry;

Table 4

	2003	2004	2005	2006	RIP
Stocks	100	50.3	31	20.9	3.7
Market shares of the C.I.	100	98	136.5	149.3	148
Prices	100	90.4	93.7	96.6	97.3

(g) Profitability

- (52) The profitability on sales of the product concerned to unrelated customers in the Community appears to be slightly positive during the RIP. It remained negative from the year 2004 onwards with a small improvement as from the year 2006. This low profitability level is partially due to depressed sales prices as explained in recital (49) and (50), combined with an increase in cost, notably as concerns the price of raw materials. Improvement of the productivity could only partly compensate for the negative impact of these elements on the profitability. Overall the profit was well below the normal profit for the whole period considered.

(h) Cash flow and ability to raise capital

- (53) The development of the cash flow generated by the Community industry in relation to sales of the product concerned on the EU market mirrors the development of profitability. It is worth noting that, while the cash flow was low, it remained in positive values during the period under review.
- (54) The investigation established that the Community industry is not experiencing any difficulties to raise capital and that capital expenditure was very limited through the period under review. The ability to raise capital cannot, however, be considered as a meaningful indicator for this investigation since the Community industry is a large group for which the production of coumarin represents only a small part of its total production. The ability to raise capital is closely linked to the performance of the group as a whole rather than the individual performance of the product concerned.

(i) Employment, productivity and wages

- (55) Employment by the Community industry decreased during the period under review in particular from the year 2004 onwards. This decrease is linked to the reorganisation of the production process of coumarin undertaken by Community industry.. The productivity of the Community industry measured in terms of production volume per person employed increased markedly during the period under investigation.
- (56) The cost of wages as a whole diminished as a direct consequence of the reorganisation described under recital (55). The average wages per employee remained at the same level during the period under review.

*Table 5*

	2003	2004	2005	2006	RIP
Employees	100	86	61	57	57
Wages	100	89.6	65.5	63.4	63.4
Productivity	100	76.4	111.8	129.4	135.3

(j) Investment and return on investment

- (57) During the period under investigation, the level of investments reached its peak in 2004, whereas since then it started to decrease. Under the current market conditions, the Community industry is more concerned with maintaining the existing production equipment than with extending production capacity.
- (58) Seen from this perspective, the return on investment expressed as the relation between the net profit of the Community industry and the book value of its fixed assets mirrors the profitability trend as explained in recital (52).

(k) Growth

- (59) As explained from recital (36) onwards the sales volume of the Community industry on the EU market has largely increased allowing the Community industry to recover significant market share.

(l) Magnitude of the dumping margin

- (60) The analysis with regard to the magnitude of dumping takes into account the fact that there are measures in force in order to eliminate injurious dumping. Nevertheless, given the volume of imports during the RIP combined with a significant level of dumping found (see recital (28)), its impact on the situation of the Community industry cannot be considered negligible.

(m) Recovery from the effects of past dumping

- (61) It should also be taken into account that the Community industry would not have been able to recover from past dumping after the imposition of the anti-dumping measures in 2002 because of circumvention practices against which measures were only adopted in 2004 and 2006. Before the imposition of anti-circumvention measures by the Council on India, Thailand, Indonesia and Malaysia and the acceptance of the undertaking by the Commission in 2005, the level of imports from the four countries above was considerable and prevented the Community industry from recovering from the effects of dumping.

4. Conclusion on the situation of the Community market

- (62) The imposition of the anti-dumping measures on imports of coumarin originating from the PRC and the extension of the measures to the countries from which circumvention was found has had a positive impact on the Community industry, in that it allowed a partial recovery from a difficult economic situation. The continuous efforts made by the Community industry in terms of cost cutting and increase of productivity per employee could only just counterbalance the increase of raw material prices and the decrease in sales prices on the Community market.
- (63) The circumvention practices of the Chinese producers, as explained in recital (33), support the conclusion that the Chinese exporting producers have a strong interest in entering the Community market.
- (64) Having regard to the above analysis, the situation of the Community industry is still precarious although the measures have served to limit the injurious effects of dumping.. Any increase of imports at dumped prices would however in all likelihood aggravate the situation and wipe out all the efforts made by the Community industry that would in all likelihood have to cease production of Coumarin.

F. LIKELIHOOD OF RECURRENCE OF INJURY

1. Likelihood of recurrence of injury

- (65) With regard to the likely effect on the Community industry of the expiry of the measures in force, the following factors were considered in line with the elements summarised in recitals (28) to (34).
- (66) The Community industry has increased the volume of its sales on the Community market as a consequence of the measures in force. It is clear from the data that the market share of the Community industry has increased significantly in a market where the consumption decreased by 8% during the period under review. However, the Community industry continued to suffer from price depression.

- (67) As explained above in recital (38) while the consumption decreased by 8%, the forecast of the world consumption of coumarin, although subject to a certain extent to fashion trends, is not expected to change to a major degree. In the absence of measures, there are clear indications that significant imports from China will continue at dumped prices. Moreover, the large spare production capacity in China suggests that there is a significant likelihood that the import volumes in the Community would increase if the measures were repealed.
- (68) The extension of measures following the anti circumvention proceedings was largely effective in terms of halting the circumvention practices of the product concerned originating in the PRC but consigned from India, Thailand, Indonesia and Malaysia. It is likely that the Chinese exporting producers will have to pursue aggressive price practices in the Community in order to compensate for the market share that was lost when circumvention was stopped.
- (69) As concluded above in recital (29) the investigation has established that there would be a clear incentive for the Chinese exporters to direct large volumes to the Community should measures allow to lapse. This would allow the Chinese exporters to use some of their excess capacity.
- (70) The likelihood of this development is further supported by the fact that the prices in the Community are higher than the Chinese export prices to other third countries. This would most certainly encourage the Chinese producers to increase activities in the Community market.
- (71) The increase in imports at lower prices, which would be the likely consequence of the lifting of measures, would also most likely have significantly detrimental effects on Community industry. Under such circumstances the Community industry would either have to follow the decrease in prices in order to maintain market share, or maintain sales prices at current level and instead lose customers and eventually sales. In the former case, Community industry would have to operate at a loss and in the latter case the loss of sales as such would eventually lead to increased costs followed by losses.
- (72) Therefore, should imports increase as forecasted in the case of termination of measures, the investigation has revealed that there is a clear likelihood of recurrence of injury to a Community industry that is already in a fragile state. In essence, it would no longer be viable for Community industry to continue production of coumarin.

## G. COMMUNITY INTEREST

### 1. Introduction

- (73) According to Article 21 of the basic Regulation, the Commission examined whether a prolongation of the existing anti-dumping measures would be against the interest of the Community as a whole. The determination of the Community interest was based on an appreciation of all various interests involved, i.e. those of the Community industry, the importers/traders and the users of the coumarin. In order to assess the likely impact of maintaining or repealing the measures, the Commission requested information from all interested parties mentioned above.
- (74) On this basis it was examined whether, despite the conclusions on the likelihood of continuation of dumping and likely recurrence of injury, compelling reasons existed

which would lead to the conclusion that it is not in the interest of the Community to maintain measures in place in this particular case.

## 2. Interest of the Community industry

- (75) It would clearly be in the interest of the sole Community producer to be able to continue with the production of coumarin.
- (76) It is also considered that, should the anti-dumping measures be repealed, dumping is likely to continue and increase resulting in a continuous deterioration of the situation of the Community industry, to the point when the industry would in all likelihood disappear.
- (77) Overall, it can be concluded that the continuation of measures clearly would be in the interest of the Community industry.

## 3. Interest of importers and users

- (78) 13 importers and 10 industrial users were contacted and questionnaires were sent. The Commission services received four answers from companies that agreed to cooperate.
- (79) Out of the four answers, one importer expressed opposition to the measures, as it was primarily concerned about price when sourcing the product concerned. This company did however also state that the impact of the cost of the coumarin on its total cost of production is very limited.
- (80) Although the product concerned is used in other industries, where quite often it cannot be substituted, its importance in the composition of the finished product is very limited in quantities and in prices, in most cases less than one percent. The impact of the duty on the user as well as on final consumer is therefore very limited.
- (81) Some users stated that they have a strong preference for coumarin of Community origin due to its quality advantages. These users would be seriously affected if the Community industry were to stop its production as a result of the measures being repealed.
- (82) In analysing Community interest, the need to eliminate the trade-distorting effects of injurious dumping and to restore effective competition should be considered, in particular. In this respect it should be noted that the coumarin world market is very concentrated with only a few producers, with the most important located in China and in the Community. From that perspective, the safeguarding of several sources of supply (including the Community industry) should be considered as important. Moreover, it should also be recalled that the purpose of the anti-dumping measures is not to restrict supply from sources outside the Community, and that coumarin originating in China may still continue to be imported to the Community in sufficient quantities.
- (83) The above considerations seen in conjunction with the low level of cooperation, confirms that importers and users did not suffer any substantial negative effect on their economic situation as a result of the measures currently in force. Furthermore, the investigation has not revealed that any such negative effects would be aggravated should measures be prolonged.

#### 4. Conclusion on Community interest

- (84) Taking into account all the above factors, it is concluded that there are no compelling reasons the continuation of the measures would be against the Community interest.

#### H. ANTI-DUMPING MEASURES

- (85) All parties were informed of the essential facts and considerations on the basis of which it is intended to recommend that the existing measures be maintained. They were also granted a period to make representations subsequent to this disclosure.
- (86) It follows from the above that the anti-dumping measures currently in force with regard to imports of coumarin originating in the People's Republic of China should be maintained.
- (87) As outlined in recital (1), the anti-dumping duties in force on imports of the product concerned from the PRC were extended to cover, in addition, imports of coumarin consigned from India, Thailand, Indonesia and Malaysia, whether declared as originating in India, Thailand, Indonesia and Malaysia or not. The anti-dumping duty to be maintained on imports of the product concerned, should continue to be extended to imports of coumarin consigned from India, Thailand, Indonesia and Malaysia, whether declared as originating in India, Thailand, Indonesia and Malaysia or not. The Indian exporting producer referred to in recital (2) who was exempted from the measures on the basis of an undertaking accepted by the Commission should also be further exempted from the measures as imposed by this Regulation under the same conditions.

HAS ADOPTED THIS REGULATION:

#### *Article 1*

1. A definitive anti-dumping duty is hereby imposed on imports of coumarin falling within code ex 2932 21 00 (TARIC code 2932 21 00 19) originating in the People's Republic of China.
2. The rate of the duty is set at EUR 3 479 per tonne.
3. The definitive anti-dumping duty of EUR 3 479 per tonne applicable to imports originating in China is hereby extended to imports of the same product mentioned in paragraph 1 consigned from India, Thailand, Indonesia and Malaysia whether declared as originating in India, Thailand, Indonesia and Malaysia or not (TARIC codes 2932 21 00 11, 2932 21 00 15 and 2932 21 00 16).

#### *Article 2*

Unless otherwise specified, the provisions in force concerning customs duties shall apply

*Article 3*

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

*Article 4*

In cases where goods have been damaged before entry into free circulation and, therefore, the price actually paid or payable is apportioned for the determination of the customs value pursuant to Article 145 of Regulation (EEC) No 2454/93, the amount of the anti-dumping duty, calculated on the basis of the amount set above, shall be reduced by a percentage which corresponds to the apportioning of the price actually paid or payable.

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

Done at Brussels,

*For the Council*  
*The President*  
*[...]*