

**COMMISSION IMPLEMENTING REGULATION (EU) 2017/1188****of 3 July 2017****imposing a definitive anti-dumping duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of the 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) Following an anti-dumping investigation ('the original investigation'), by Implementing Regulation (EU) No 451/2011 <sup>(2)</sup>, the Council imposed a definitive anti-dumping duty on imports of certain coated fine paper originating in the People's Republic of China ('the PRC' or 'country concerned').
- (2) Following an anti-subsidy investigation, by Implementing Regulation (EU) No 452/2011 <sup>(3)</sup>, the Council also imposed a definitive countervailing duty on imports of certain coated fine paper originating in the PRC.
- (3) The anti-dumping measures took the form of an *ad valorem* duty rate ranging from 8 % to 35,1 % for imports from individually named exporters, with a residual duty rate of 27,1 %.
- (4) On 8 August 2011, the Chinese producers Gold East Paper Co. Ltd and Gold Huasheng Paper Co. Ltd ('the APP Group'), lodged applications for annulment of both Implementing Regulations (EU) No 451/2011 and (EU) No 452/2011 insofar as they concern the applicants <sup>(4)</sup>. On 11 September 2014, the Third Chamber of the General Court dismissed both actions.

**1.2. Request for an expiry review**

- (5) Following the publication of a notice of impending expiry <sup>(5)</sup> of the anti-dumping measures in force on the imports of certain coated fine paper originating in the PRC, the Commission received a request for the initiation of an expiry review pursuant to Article 11(2) of the basic Regulation.
- (6) The request was lodged by five Union producers (Arctic Paper Grycksbo AB, Burgo Group SpA, Fedrigoni SpA, Lecta Group and Sappi Europe SA), jointly referred to as the 'applicant', representing more than 25 % of the total Union production of coated fine paper.
- (7) The request was based on the grounds that the expiry of the measures would be likely to result in recurrence of dumping and recurrence of injury to the Union industry.

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

<sup>(2)</sup> Council Implementing Regulation (EU) No 451/2011 of 6 May 2011 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of coated fine paper originating in the People's Republic of China (OJ L 128, 14.5.2011, p. 1).

<sup>(3)</sup> Council Implementing Regulation (EU) No 452/2011 of 6 May 2011 imposing a definitive anti-subsidy duty on imports of coated fine paper originating in the People's Republic of China (OJ L 128, 14.5.2011, p. 18).

<sup>(4)</sup> Case T-443/11 and Case T-444/11.

<sup>(5)</sup> OJ C 280, 25.8.2015, p. 7.

### 1.3. Initiation of an expiry review

- (8) Having determined that sufficient evidence existed for the initiation of an expiry review, the Commission announced on 13 May 2016, by notice published in the *Official Journal of the European Union* <sup>(1)</sup> ('the Notice of Initiation') the initiation of an expiry review pursuant to Article 11(2) of the basic Regulation.

#### *Parallel investigation*

- (9) By a notice published in the *Official Journal of the European Union* on 13 May 2016 <sup>(2)</sup>, the Commission also announced the initiation of an expiry review pursuant to Article 18 of Council Regulation (EC) No 597/2009 <sup>(3)</sup> of the definitive countervailing measures in force with regard to imports into the Union of certain coated fine paper originating in the People's Republic of China.

### 1.4. Investigation

#### *Review investigation period and period considered*

- (10) The investigation of the likelihood of continuation or recurrence of dumping covered the period from 1 January 2015 to 31 December 2015 (the 'review investigation period' or 'RIP'). The examination of the trends relevant for the assessment of the likelihood of continuation or recurrence of injury covered the period from 1 January 2012 to the end of the review investigation period (the 'period considered').

#### *Parties concerned*

- (11) In the Notice of Initiation, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the applicant, other known Union producers, exporting producers, importers and users in the Union known to be concerned, as well as the Chinese authorities of the initiation of the expiry review, and invited them to participate.
- (12) The Commission also stated that it envisaged using the United States of America ('the USA') as a third market economy country ('analogue country') within the meaning of Article 2(7)(a) of the basic Regulation, the same country used as the analogue country in the original investigation. Therefore, the Commission informed the authorities and the producer in the USA about the initiation and invited them to participate.
- (13) In addition, the Commission notified the authorities in Brazil, India, Indonesia, Japan, Korea, Norway, and Switzerland of the initiation of the investigation and requested information on production and sales of coated fine paper in those countries. Letters were then sent to all known producers of coated fine paper in these countries, asking for their cooperation with the review and enclosing an analogue country questionnaire.
- (14) Interested parties were given the opportunity to make their views known in writing and request a hearing within the time limits set out in the Notice of Initiation. All interested parties, who requested so, were granted a hearing with the Commission.

#### *Sampling*

##### *(a) Sampling of exporting producers in the PRC*

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

<sup>(1)</sup> Notice of initiation of an expiry review of the anti-dumping measures applicable to imports of certain coated fine paper originating in the People's Republic of China (OJ C 172, 13.5.2016, p. 9).

<sup>(2)</sup> Notice of initiation of an expiry review of the countervailing measures applicable to imports of certain coated fine paper originating in the People's Republic of China (OJ C 172, 13.5.2016, p. 19).

<sup>(3)</sup> Council Regulation (EC) No 597/2009 of 11 June 2009 on protection against subsidised imports from countries not members of the European Community (OJ L 188, 18.7.2009, p. 93). This Regulation has been codified by Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union (OJ L 176, 30.6.2016, p. 55).

- (16) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked all known 36 exporting producers in the PRC to provide the information specified in the Notice of Initiation. In addition, the Commission requested the Mission of the People's Republic of China to the European Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (17) One Chinese exporting producer provided the information requested in Annex I to the Notice of Initiation for the purpose of sampling <sup>(1)</sup>. However, at a hearing on 8 June 2016 the same group of exporting producers informed the Commission that it did not intend to provide a reply to the questionnaire. This was explained by no exports sales to the Union market during the review investigation period and the complex group structure. All known exporting producers concerned, and the authorities of the PRC were informed about the consequences of non-cooperation and that in accordance with Article 18 of the basic Regulation, the Commission may make its findings on the basis of the best facts available.

(b) Sampling of Union producers

- (18) In the Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. In accordance with Article 17(1) of the basic Regulation, the Commission selected the sample on the basis of the largest representative volume of sales and production, taking also into account the geographical spread. The preliminary sample consisted of three groups of Union producers. The Commission invited interested parties to comment on the provisional sample. One of the provisionally sampled Union producers informed the Commission that it would not be in a position to reply to the questionnaire. The Commission also received a clarification that two other sampled parties were groups consisting of several producers. Accordingly, the Commission revised the sample by replacing the non-cooperating producer with the next largest producer in terms of the volume of sales and production, as well as by selecting the largest producers within the other two groups of provisionally sampled producers. Having received no comments on the revised sample within the deadline, the Commission confirmed the sample as revised. The final sample accounted for over 30 % of the total Union production during the review investigation period and was therefore considered representative of the Union industry.

(c) Sampling of unrelated importers

- (19) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all known unrelated importers to provide the information specified in the Notice of Initiation.
- (20) The Commission contacted five potential importers, but none replied to the sampling form.

*Analogue country*

- (21) In the Notice of Initiation, the Commission informed interested parties that it envisaged the USA as possible analogue country and invited parties to comment. The USA was used in the original investigation as an appropriate analogue country.
- (22) The Commission requested producers of the like product in the USA, Brazil, India, Indonesia, Japan, Norway, South Korea and Switzerland to provide information. One producer in the USA cooperated with the investigation by replying to the questionnaire.
- (23) The investigation showed that the USA had a competitive market for CFP with around 50 % of the market supplied by local production and the rest by imports from third countries. Although there are anti-dumping duties in force against the PRC and Indonesia, other producing countries can export freely into the USA.
- (24) It is therefore concluded that, as in the original investigation, the USA constituted to be an appropriate analogue country in accordance with Article 2(7)(a) of the basic Regulation.

<sup>(1)</sup> Sinar Mas group comprising: Gold East Paper Co., Ltd; Gold Huasheng Paper Co., Ltd and Hainan Jinhai Pulp and Paper Co., Ltd.

*Questionnaires*

- (25) The Commission did not send a questionnaire to the non-cooperating Chinese exporting producer referred to in recital (17) above, as it had already stated that it would not reply.
- (26) The Commission sent questionnaires to the three sampled Union producers and to all known analogue country producers.
- (27) The Commission received questionnaire replies from the three sampled Union producers and one producer in the analogue country (the USA).

*Verification visits*

- (28) The Commission sought and verified all the information deemed necessary in the context of an expiry review for a determination of dumping, injury, and Union interest. Verification visits under Article 16 of the basic Regulation were carried out at the premises of the following companies:
  - (a) Union producers
    - Burgo Group S.p.A., Altavilla Vicentina, Italy
    - Condat (Lecta Group), Barcelona, Spain
    - Sappi Europe SA, Brussels, Belgium for Sappi Austria Produktions GmbH&Co KG, Gratkorn, Austria
  - (b) Producer in the analogue country
    - S.D. Warren Company d/b/a Sappi Fine Paper North America, Boston, Massachusetts, USA.

**2. PRODUCT CONCERNED AND LIKE PRODUCT****2.1. Product concerned**

- (29) The product concerned is certain coated fine paper ('CFP') which is paper or paperboard coated on one or both sides (excluding kraft paper or kraft paperboard), in either sheet or rolls, and with a weight of 70 g/m<sup>2</sup> or more but not exceeding 400 g/m<sup>2</sup> and brightness of more than 84 (measured according to ISO 2470-1), and originating in the PRC ('the product under review'), currently falling within CN codes ex 4810 13 00, ex 4810 14 00, ex 4810 19 00, ex 4810 22 00, ex 4810 29 30, ex 4810 29 80, ex 4810 99 10 and ex 4810 99 80 (TARIC codes 4810 13 00 20, 4810 14 00 20, 4810 19 00 20, 4810 22 00 20, 4810 29 30 20, 4810 29 80 20, 4810 99 10 20 and 4810 99 80 20).
- (30) The product concerned does not include:
  - Rolls suitable for use in web-fed presses. Rolls suitable for use in web-fed presses are defined as those rolls which, if tested according to the ISO test standard ISO 3783:2006 concerning the determination of resistance to picking — accelerated speed method using the IGT tester (electric model), give a result of less than 30 N/m when measuring in the cross-direction of the paper (CD) and a result of less than 50 N/m when measuring in the machine direction (MD).
  - Multi-ply paper and multi-ply paperboard.

**2.2. Like product**

- (31) The investigation showed that the following products have the same basic physical and technical characteristics, as well as the same basic uses:
  - the product concerned
  - the product produced and sold by the exporting producers on the domestic market of the PRC
  - the product produced and sold by the selected producer in the USA, which served as an analogue country
  - the product produced and sold in the Union by the Union industry
- (32) The Commission concluded that these products are like products within the meaning of Article 1(4) of the basic Regulation.

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

#### 3.1. Preliminary remarks

- (33) In accordance with Article 11(2) of the basic Regulation, the Commission examined whether dumping was currently taking place and whether or not the expiry of the existing measures would be likely to lead to a continuation or recurrence of dumping.
- (34) As mentioned in recitals (17) and (25), no Chinese exporting producer cooperated in the investigation. Therefore, the Commission resorted to the use of facts available in accordance with Article 18 of the basic Regulation.
- (35) The Chinese authorities and the known Chinese exporting producer were notified of the application of Article 18(1) of the basic Regulation and were given the opportunity to present their comments. The Chinese exporting producer replied that it intended to partially cooperate in the investigation, by submitting comments on injury and causation.
- (36) On this basis, 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 information in the request for the expiry review, submission by interested parties, and statistics available.

#### 3.2. Dumping of imports during the review investigation period

- (37) For the review investigation period, the statistical data show that only negligible volumes of CFP (less than 400 tonnes) were imported into the Union from the PRC. The Commission concluded that these quantities were not representative as they represented less than 1 % of the total imports of the product concerned into the Union.
- (38) Therefore no meaningful analysis of dumping based on the Chinese imports to the Union during the review investigation period could be made. The investigation therefore focused on the likelihood of a recurrence of dumping.

#### 3.3. Evidence of likelihood of recurrence of dumping

- (39) The Commission analysed whether there was a likelihood of recurrence of dumping should the measures lapse. The following elements were analysed: Chinese export prices to other destinations, the production capacity and spare capacity in the PRC, and the attractiveness of the Union market in relation to imports from the PRC.

##### 3.3.1. Exports to third countries

- (40) Due to the unrepresentative volume of imports of CFP from the PRC to the Union (see recital (37)), the Commission concluded that data concerning sales of CFP from the PRC to third countries should be used to assess the likely level of export prices to the Union, should the measures be allowed to lapse. Dumping calculations were made using the prices for sales to third country customers, based on invoices provided by the applicant, as explained in recital (45) below.

##### (a) Normal value

- (41) According to Article 2(7)(a) of the basic Regulation, normal value was determined on the basis of the price or constructed value in a market economy third country. For this purpose, the USA was used as the analogue country, as explained in recitals (21) to (24).
- (42) The APP Group claimed that, after 11 December 2016, the Commission should apply the market economy methodology and calculate the normal value on the basis of Chinese domestic prices, and thus should not use the USA as analogue country.
- (43) In this regard, the Commission notes that it has no discretion on whether or not to apply the current rules as set out in the basic Regulation. This claim was therefore rejected.

(b) Export price

- (44) In the absence of any cooperation from the Chinese exporting producers, the export price was based on facts available in accordance with Article 18 of the basic Regulation.
- (45) Different sources of information were consulted in order to establish the export price. In order to assess the likely level of export prices to the Union in the absence of measures, the most appropriate basis was found to be the invoices from Chinese exporting producers to third countries located close to the Union, i.e. Egypt, Russia, and Turkey, which were provided by the applicant, calculated on a weighted average basis.

(c) Comparison and adjustments

- (46) The weighted average normal value was compared with the weighted average export price of CFP, in accordance with Article 2(11) of the basic Regulation, both at ex-works level.
- (47) Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for freight and transport costs.

(d) Dumping margin

- (48) The Commission compared the weighted average normal value with the weighted average export price in accordance with Article 2(11) and (12) of the basic Regulation.
- (49) On this basis, the weighted average dumping margin expressed as a percentage of the CIF Union frontier price was 58 %.

3.3.2. *Production capacity and spare capacity in the PRC*

- (50) Given the non-cooperation, production capacity and spare capacity in the PRC were established on the basis of facts available and in particular the information provided by the applicant, which included data from an independent industry intelligence information provider, in accordance with Article 18 of the basic Regulation.
- (51) The production capacity of coated wood free paper in the PRC was 7 629 000 tonnes in the review investigation period <sup>(1)</sup>, of which 40 % is the production of CFP <sup>(2)</sup>. The total coated wood free production in the PRC had a capacity utilisation of 85 % <sup>(3)</sup> during the review investigation period resulting in a spare capacity of 1 167 000 tonnes, i.e. 32 % of total consumption of CFP in the Union. Under the assumption that only 40 % of this capacity would be used for CFP, the Chinese spare capacity of the product concerned was found to be around 13 % of total Union consumption.
- (52) Furthermore, the Commission found that it is simple for producers to switch production of other coated wood free products into the product concerned <sup>(4)</sup>. Should Chinese producers switch to CFP, this would result in an increase of 3 877 000 tonnes in production capacity, which is more than 100 % of total consumption in the Union (established at 3 589 694 tonnes).
- (53) Even though the level of spare capacity of coated wood free paper is expected to decrease slightly by 4 %, Chinese domestic demand is expected to decrease by more than 10 % until 2021 <sup>(5)</sup>.

<sup>(1)</sup> Based on data of RISI (<http://www.risiinfo.com>) provided by the applicant.

<sup>(2)</sup> Based on the request.

<sup>(3)</sup> Based on data of RISI.

<sup>(4)</sup> Based on the request.

<sup>(5)</sup> Based on data of RISI.



- (54) Based on the above, the Commission concluded that Chinese exporting producers have significant spare capacity which they could use to produce CFP to export to the Union market if measures were repealed. The Commission also found that this export potential could increase as a result of the expected decline in domestic demand in the PRC.

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

- (55) The investigation has demonstrated that Union demand for CFP remained substantial. Although the Union consumption declined over the period considered, the Union market remains the largest market in the world, accounting for 25 % — 30 % of global demand.
- (56) Based on the facts available, Chinese export prices to the third countries close to the Union were on average 7 % lower than the prices in the Union during the review investigation period. Such a difference of price is significant given the fact that the market for CFP is competitive and very price sensitive.
- (57) Furthermore, the domestic demand in the PRC is forecast to decrease, suggesting a strong incentive to Chinese producers to find alternative markets to absorb the Chinese overcapacity. The USA market, another important market for CFP, remains unattractive for the PRC, because the USA has anti-dumping and anti-subsidy measures in place against the PRC regarding the product concerned.
- (58) In this regard, the Government of the PRC claimed that the low level of imports from the PRC demonstrated that the Union market was not at all attractive to Chinese exporting producers. It further submitted that according to Chinese export statistics the PRC exported in 2015 more CFP to three other countries (India, Japan, Thailand) and to non-Union European countries, which would demonstrate that these countries, where there are no trade defence measures in place, were more attractive. The Government of the PRC also submitted that the PRC is currently party to 14 FTA's with different trading partners and that it is negotiating even more. This would lead to more exports of CFP to the partner countries concerned.
- (59) As concerns the effect of the FTAs, the claim was made in respect of Chinese products in general and did not contain any evidence in respect of the product concerned. The claim was considered too broad and lacking corroborating evidence. In any case, as explained in recital (62) below, the information available to the Commission points in the opposite direction.
- (60) In fact, the Chinese exports of CFP to the Union dropped close to zero after the imposition of the original measures in 2010, which suggests that it was these measures that made the Union market unattractive for Chinese exports. The removal of the measures would make the Union market attractive again. These claims are therefore rejected.
- (61) The APP Group acknowledged that the European market is traditionally an important market for CFP, but claimed that its importance was decreasing due to the constant drop in demand, whereas, at the same time, demand in other countries has either remained stable or increased over the last few years. It also submitted that the unattractiveness of the Union market was demonstrated by the drop in imports from other countries since the imposition of measures and by the high level of exports of CFP produced by the Union industry.
- (62) Despite the declining consumption of CFP in the Union, the Union market is still the largest CFP market in the world. The information on file suggests that the Union market will remain the largest world market for CFP at least in the near future <sup>(1)</sup>. Based on the facts available on file, demand for CFP is forecast to decrease in the PRC and a potential increase, if any, in other markets would not suffice to reduce the attractiveness of the Union market because they are small in comparison to the Union market. During the investigation period of the original investigation the volume and market share of imports into the Union from countries other than the PRC was indeed larger than during the period considered of the current investigation. However, the imports from third countries of CFP during the investigation period of the original investigation were predominantly imports of CFP from Switzerland where one of the Union producers owned a company producing CFP. The current investigation established that this producer stopped the production of CFP in 2011, so consequently imports from Switzerland almost disappeared. The drop in imports from third countries has thus nothing to do with any alleged unattractiveness of the Union market and the claim is rejected.

<sup>(1)</sup> Based on data of RISI provided by the applicant.

- (63) Furthermore, the relatively high level of exports of the Union industry does not undermine the conclusion that the Union market is attractive as for most of the period considered average prices achieved outside the Union, where the Union industry had to compete with dumped exports of CFP from the PRC, were below the average prices achieved in the Union. The claim is therefore rejected.
- (64) Given the above considerations, the Commission concluded that, if measures were repealed, it was likely that the exports from the PRC would be directed to the Union market.

#### 3.3.4. Conclusion on the likelihood of recurrence of dumping

- (65) As mentioned in recitals (48) and (49), a comparison between Chinese export prices to third countries located close to the Union with the price in the analogue country market strongly supports a finding of likelihood of recurrence of dumping.
- (66) In addition, considering the significant production capacity available in the PRC, as well as spare capacity and the attractiveness of the Union market for exports, the Commission concluded that a repeal of the measures would likely result in increased exports of CFP from the PRC to the Union at dumped prices.

### 4. LIKELIHOOD OF A RECURRENCE OF INJURY

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

- (67) During the review investigation period, the like product was manufactured by 10 known producers, some of which are groups that own several paper mills. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (68) The total Union production was established at around 4 606 000 tonnes during the review investigation period. The companies that supported the review request represented more than 70 % of the total Union production in the review investigation period. As indicated in recital (18), the Union producers selected in the sample represented more than 30 % of the total Union production of the like product.
- (69) The macroeconomic data provided by the applicant had been furnished by Euro-Graph <sup>(1)</sup> and they were duly verified.

#### 4.2. Union consumption

- (70) The Commission established the Union consumption by adding the volume of sales of the Union industry on the Union market and imports from third countries based on the Article 14(6) database.
- (71) Union consumption developed as follows:

Table 1

#### Union consumption

	2012	2013	2014	RIP
Total Union consumption (tonnes)	3 972 818	3 643 010	3 626 277	3 589 694
Index (2012 = 100)	100	92	91	90

Source: Euro-Graph and Article 14(6) database.

<sup>(1)</sup> The European Association of Graphic Paper Producers (Euro-Graph) was formed in 2012 through the merger of CEPIPRINT (Association of European Publication Paper Producers) and CEPIFINE (European Association of Fine Paper Producers) and its members include all coated fine paper producers in the Union.



- (72) During the period considered, Union consumption decreased by 10 %. It decreased by 8 % in 2013, compared to 2012, and continued to decrease at a slower pace. The estimated Union consumption during review investigation period was by 21 % lower than the one found during the investigation period in the original investigation (4 572 057 tonnes). The decline in consumption reflects decreasing graphic paper demand in general, which is mainly the result of the rapid growth in digital media, which is replacing traditional print media.

#### 4.3. Imports from the country concerned

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

- (73) Imports into the Union from the PRC developed as follows:

Table 2

#### Import volume and market share

	2012	2013	2014	RIP
Volume of imports from the country concerned (tonnes)	701	905	452	389
<i>Index (2012 = 100)</i>	100	129	64	55
Market share (%)	0,02	0,02	0,01	0,01
<i>Index (2012 = 100)</i>	100	141	71	61

Source: Article 14(6) database.

- (74) During the period considered the volume of imports into the Union from the PRC was negligible.

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

- (75) Due to the negligible volume of imports of CFP from the PRC to the Union and the lack of reliability of the prices of these few sales (see recital (37)), it was not possible to use Union import statistics to draw any conclusions concerning prices of imports from the PRC. The Commission concluded that data concerning sales of CFP from the PRC to other countries should be used instead as a proxy to establish what the undercutting would have been if Chinese companies had sold at these prices to the Union.
- (76) The Commission determined the theoretical price undercutting level during the review investigation period by comparing the weighted average sales price of the Union industry charged to independent customers in the Union market, adjusted to an ex works level, and the weighted average Chinese export price to countries located close to the Union, adjusted to arrive at Union CIF value level and to take into account importation costs. In the absence of any cooperation from the Chinese exporting producers, the Chinese export prices to other countries were based on facts available in accordance with Article 18 of the basic Regulation, as already explained above (see recitals (40), (44) and (45)). The price comparison showed that, had the Chinese exporters sold at these prices to the Union during the review investigation period, Chinese import prices would have undercut the Union industry's prices by 5,4 %.

#### 4.4. Imports from other third countries

- (77) The following table shows the development of imports to the Union from third countries other than the PRC during the period considered in terms of volume and market share as well as average price of these imports. The table is based on data from the Article 14(6) database.

Table 3

**Imports from third countries**

	2012	2013	2014	RIP
Volume (tonnes)	35 864	29 264	50 958	45 282
<i>Index (2012 = 100)</i>	100	82	142	126
Market share (%)	0,9	0,8	1,4	1,3
Average price (EUR/tonne)	952	964	827	889
<i>Index (2012 = 100)</i>	100	101	87	93

Source: Article 14(6) database.

- (78) The total volume of imports into the Union from countries other than the PRC was small during the entire period considered and their total market share fluctuated around 1 %. The average prices of these imports were higher than the average prices of the Union industry. During the review investigation period, none of the third countries had individually a market share higher than 0,4 %.

**4.5. Economic situation of the Union industry****4.5.1. General remarks**

- (79) In accordance with Article 3(5) of the basic Regulation, the Commission examined all economic indicators having a bearing on the state of the Union industry during the period considered. As mentioned in recital (18), sampling was used for the Union industry.
- (80) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated macroeconomic indicators relating to the whole Union industry on the basis of information provided by the applicant in the review request. The Commission evaluated microeconomic indicators relating only to the sampled companies on the basis of the verified data contained in the questionnaire replies. Both sets of data were found to be representative of the economic situation of the Union industry.
- (81) 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.
- (82) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investment, and ability to raise capital.

**4.5.2. Macroeconomic indicators****4.5.2.1. Production, production capacity and capacity utilisation**

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

Table 4

**Production, production capacity and capacity utilisation**

	2012	2013	2014	RIP
Production volume (tonnes)	5 211 487	4 833 511	4 737 310	4 606 000
<i>Index (2012 = 100)</i>	100	93	91	88

	2012	2013	2014	RIP
Production capacity (tonnes)	5 889 216	5 636 892	5 380 258	4 988 000
<i>Index (2012 = 100)</i>	100	96	91	85
Capacity utilisation (%)	88,5	85,7	88,0	92,3
<i>Index (2012 = 100)</i>	100	97	100	104

Source: Euro-Graph.

- (84) During the period considered, production decreased by 12 %. It decreased by 7 % in 2013, compared to 2012, and continued to decrease at a slower pace.
- (85) Already before the period considered, Union producers had undertaken major restructuring efforts aimed at addressing structural overcapacity and these efforts continued during the period considered. As a result of both certain mill closures and the conversion of other mills to produce paper products other than CFP, the Union industry decreased its CFP production capacity by approximately 901 216 tonnes between 2012 and the review investigation period, i.e. by 15 %.
- (86) The continuous reduction of the production capacity allowed the Union industry to keep capacity utilisation relatively stable during the period considered and even to reach 92,3 % in the review investigation period, almost four percentage points higher than in 2012.
- (87) The investigation established that high capacity utilisation is an important factor in the long-term viability of the paper industry because of high investments in fixed assets and the resulting impact on average manufacturing costs.

#### 4.5.2.2. Sales volume and market share

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

Table 5

#### Sales volume and market share

	2012	2013	2014	RIP
Total sales volume in the Union market (tonnes)	3 936 253	3 612 841	3 574 868	3 544 023
<i>Index (2012 = 100)</i>	100	92	91	90
Market share (%)	99,1	99,2	98,6	98,7
<i>Index (2012 = 100)</i>	100	100	99	100

Source: Euro-Graph.

- (89) During the period considered the sales volume in the Union market decreased by 10 %. It decreased by 8 % in 2013, compared to 2012, and continued to decrease at a slower pace.
- (90) Since during the period considered there were almost no imports of CFP, the market share of the Union industry remained stable at around 99 %.

#### 4.5.2.3. Growth

- (91) During the period considered, the Union industry did not witness any growth of production and sales. On the contrary, these economic indicators closely followed the downward trend of the Union consumption.

## 4.5.2.4. Employment and productivity

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

Table 6

**Employment and productivity**

	2012	2013	2014	RIP
Number of employees (full time equivalent — FTE)	9 808	8 896	7 782	7 418
Index (2012 = 100)	100	91	79	76
Productivity (tonne/employee)	531	543	609	621
Index (2012 = 100)	100	102	115	117

Source: Euro-Graph.

- (93) During the period considered, the number of employees decreased by 24 %, with decreases happening every year. It reflects part of the longer term restructuring efforts undertaken by the Union industry to address structural overcapacity problems, as explained in recital (85).
- (94) These substantial reductions in workforce produced significant increases in productivity, measured as output (tonnes) per person employed per year, which increased by 17 % during the period considered.

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

- (95) During the period considered, there were almost no imports of CFP from the PRC, so it can be concluded that there was no impact of the magnitude of the dumping margin on the Union industry, which was on track to recovery from past dumping.

## 4.5.3. Microeconomic indicators

## 4.5.3.1. Prices and factors affecting prices

- (96) The average sales prices of the Union industry to unrelated customers in the Union developed over the period considered as follows:

Table 7

**Sales prices in the Union and unit cost of production**

	2012	2013	2014	RIP
Average unit sales price in the Union market (EUR/tonne)	723	709	688	680
Index (2012 = 100)	100	98	95	94
Unit cost of production (EUR/tonne)	672	664	609	631
Index (2012 = 100)	100	99	91	94

Source: verified questionnaire replies of the sampled Union producers.

- (97) The unit sales price of the Union industry to unrelated customers in the Union decreased by 6 % during the period considered. With a small time lag, the trend in prices followed the trend in costs of production.
- (98) The unit cost of production of the Union industry also decreased by 6 % during the period considered, with the most significant decrease observed in the period 2013-2014 (minus 8 %).

## 4.5.3.2. Labour costs

- (99) The average labour costs developed over the period considered as follows:

Table 8

**Average labour costs per employee**

	2012	2013	2014	RIP
Average labour costs per employee (EUR/employee)	68 405	65 812	67 716	70 973
Index (2012 = 100)	100	96	99	104

Source: verified questionnaire replies of the sampled Union producers.

- (100) In 2013 the average labour costs per employee decreased by 4 % as compared to 2012, then stabilised and during the review investigation period reached a level that was 4 % higher than in 2012.

## 4.5.3.3. Inventories

- (101) Stock levels developed over the period considered as follows:

Table 9

**Inventories**

	2012	2013	2014	RIP
Closing stocks (tonnes)	112 957	122 545	119 642	122 264
Index (2012 = 100)	100	108	106	108
Closing stocks as a percentage of production (%)	7	8	8	8
Index (2012 = 100)	100	114	115	114

Source: verified questionnaire replies of the sampled Union producers.

- (102) The closing stocks of the Union industry increased by 8 % in the period 2012-2013 and then remained relatively stable throughout the remainder of the period considered. The falling production volume resulted in an overall increase in the level of closing stocks as a percentage of production by 14 % during the period considered.

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

- (103) Profitability, cash flow, investments and return on investment developed over the period considered as follows:

Table 10

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

	2012	2013	2014	RIP
Profitability of sales in the Union to unrelated customers (% of sales turnover)	0,7	– 0,4	5,0	2,3
Index (2012 = 100)	100	– 58	693	319

	2012	2013	2014	RIP
Cash flow (EUR)	58 381 268	51 220 769	102 223 699	75 644 423
<i>Index (2012 = 100)</i>	100	88	175	130
Investments (EUR)	20 414 097	23 120 553	18 603 022	17 369 221
<i>Index (2012 = 100)</i>	100	113	91	85
Return on investments (%)	1,8	– 6,7	9,6	9,1
<i>Index (2012 = 100)</i>	100	– 380	546	518

*Source:* verified questionnaire replies of the sampled Union producers.

- (104) The Commission established the profitability of the Union industry by expressing the pre-tax net profit of its sales of CFP to unrelated customers in the Union as a percentage of the turnover of those sales. During the period considered, the Union industry increased its profitability from around 0,7 % to 2,3 %. It is noted that in the original investigation, the target profit for the industry was established at 8 % <sup>(1)</sup>. 2014 was the best year, when the profitability of the Union industry reached 5 % mainly due to lower costs of raw materials, especially pulp, but also due to positive effects of the restructuring efforts and increase in efficiency. During the review investigation period, the profitability was negatively affected by the falling exchange rate of the British pound versus euro.
- (105) The net cash flow is the ability of the Union industry to self-finance its activities. During the period considered cash flow was positive and to a large extent its trend reflected the evolution of profitability, with 2014 being the best year.
- (106) In view of the falling demand for CFP both in the Union and abroad, during the period considered the Union industry did not invest in new capacity and overall the level of investments decreased by 15 %. The investments made were focused on maintenance, capital replacement, improving energy efficiency, and on measures aimed at complying with environmental protection standards.
- (107) The return on investment consists of the profit expressed as a percentage of the net book value of the fixed assets. Its development during the period considered was influenced by both the decreasing net asset value and the evolution of profitability, which explains the negative results in 2013 and the much better results in 2014 and in the review investigation period.
- (108) Given the cost of existing debt, relatively low profitability of the Union industry and continuously falling demand for CFP, the Union industry's ability to raise capital has improved compared to the original investigation, but remains restricted.

#### 4.5.4. Conclusion on the situation of the Union industry

- (109) During the period considered, injury indicators showed a mixed picture. While financial performance indicators, such as profitability, cash flow and return on investment, improved, volume indicators, such as production and sales, continued to decline.

<sup>(1)</sup> Recital (158) of Implementing Regulation (EU) No 451/2011.



- (110) The improvement of financial performance indicators was the result of both the drop in raw materials prices in 2014 and the Union producers' restructuring efforts aimed at cutting production capacity and improving efficiency. The negative trends in production and sales volumes were the result of the continuously falling demand for CFP both in the Union and abroad that required the Union industry to continue with restructuring, including closing certain paper mills and converting others for the production of other types of paper.
- (111) The foreseen further decrease in demand for CFP in the next 5-10 years supports the conclusion that the situation of the Union industry will remain challenging, and further decreases in production and production capacity will have to take place.
- (112) The investigation confirmed that the measures imposed by the original investigation have had a positive impact on the Union industry, which regained its market share and was able to raise their CFP prices to above cost-covering level as well as to finance its restructuring activities.
- (113) On the basis of the above, the Commission concludes that the Union industry did not suffer material injury within the meaning of Article 3(5) of the basic Regulation. Nevertheless, in view of the continuously declining demand for CFP and the related high restructuring costs, both of which had a significant bearing on its profitability, it is in a vulnerable situation.

#### **4.6. Likelihood of recurrence of injury**

- (114) In recitals (65) and (66) above, the Commission concluded that the repeal of the measures would result in the recurrence of dumping and increased exports of CFP at dumped prices from the PRC to the Union.
- (115) In recital (76) the Commission found that during the review investigation period the prices of the Chinese exports of CFP to markets located close to the Union were lower than the ones charged by the Union industry in the Union. As a result, the Commission concluded that, should measures be allowed to lapse, the Chinese producing exporters would likely undercut the prices of the Union industry in the Union market.
- (116) In addition, as mentioned in recital (62), the Union market is the largest CFP market in the world. Indeed, its overall size and the existence of large CFP buyers make it very attractive to Chinese CFP producers, because such large deliveries would allow them to utilize more of the (now spare) production capacity, which in turn would lower unit production costs. Accordingly, if measures were repealed, given the economic benefits of utilizing spare production capacity in the PRC (see recitals (50) to (54)), it is likely that the Chinese exporting producers would offer CFP at dumped prices in the Union market, putting pressure on Union industry prices and profitability.
- (117) The investigation has shown (see recital (113)) that the situation of the Union industry is vulnerable.
- (118) The investigation has also confirmed the findings of the original investigation that high capacity utilisation is an important factor in the long-term viability of paper producers because the production process is capital-intensive. The absence of dumped imports during the period considered allowed the Union industry to raise CFP prices to above cost-covering levels, to finance restructuring and to raise the production capacity utilization rate. Any recurrence of dumped imports and resulting price pressure would reverse these positive developments, as they would deprive the Union industry from the cash flow necessary to finance restructuring efforts to adapt to declining world demand for CFP. It would also undermine the positive effects of past restructuring efforts and lead to the deterioration of all injury indicators.
- (119) Therefore, the Commission concludes that the repeal of the anti-dumping measures on imports of CFP from the PRC would in all likelihood result in a recurrence of injury.

#### **5. UNION INTEREST**

- (120) In accordance with Article 21 of the basic Regulation, the Commission examined whether maintaining the existing measures against the PRC would be against the interest of the Union as a 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, and users.

### 5.1. Interest of the Union industry

- (121) The investigation found that the existing measures had allowed the Union industry to recover from past dumping, keep CFP prices above cost-covering levels and improve its financial performance. In turn, these positive trends had allowed the Union industry to cope with the challenges created by the continuously falling demand for CFP by carrying out long term restructuring plans, including the closure of some paper mills and the conversion of others for the production of other types of paper.
- (122) Without the price pressure from dumped imports from the PRC, the Union industry will be able to keep CFP prices above cost-covering levels, generate the necessary income to finance its restructuring efforts and adjust to the challenges created by the continuously falling demand for CFP.
- (123) On this basis, the Commission concluded that the continuation of the anti-dumping measures in force would be in the interest of the Union industry.

### 5.2. Interest of unrelated importers/traders

- (124) There was no cooperation from importers/traders. Based on the fact that during the period considered there were almost no imports of CFP from the PRC, the Commission concluded that imports of the product concerned do not represent a major proportion of the business activities of importers/traders and that there were no factors suggesting that they would be disproportionately affected if measures were maintained.

### 5.3. Interest of users

- (125) There was no cooperation from any individual users. The Commission received a written submission from an association of the printing industry (Intergraf), supported by three other associations (BPIF, Gratkom, and Bundesverband Druck und Medien).
- (126) The submission explained that the Union's printing industry was suffering from the replacement of paper media with digital media, as well as from massive imports of printed products, in particular, from the PRC. The implication of the claim was that anti-dumping measures undermined the Union printers' competitiveness which requires duty-free access to paper. The only evidence submitted relating to the claim of massive imports was an estimate of total imports of printed products originating in the PRC, which include a large variety of print products that are not printed on CFP. Based on the information available, the Commission could not assess what part of the products imported from the PRC was printed on CFP and what was printed on other types of paper.
- (127) The original investigation found that most products that are printed on CFP are 'time sensitive' products, such as magazines, brochures, direct mail and inserts that are less susceptible to being imported from the PRC because of the time needed for transportation. Information submitted by the applicant in this review confirmed that the findings of the original investigation were still valid.
- (128) Accordingly, the Commission concluded that while it is likely that some print materials are printed on CFP outside the Union because of anti-dumping and countervailing duties, their impact on the economic situation of the Union's printing industry is limited.

### 5.4. Conclusion on Union interest

- (129) On the basis of the above, the Commission concluded that there are no compelling reasons of Union interest against the extension of the current anti-dumping measures on imports from the PRC.

## 6. CONCLUSION AND DISCLOSURE

- (130) All interested parties were informed of the essential facts and considerations on the basis of which it was intended to maintain the anti-dumping measures in force. They were also granted a period of 11 days within which they could submit comments subsequent to this disclosure. Only the applicant sent comments supporting the Commission's findings and proposal to maintain the anti-dumping measures in force.

(131) It follows from the above considerations that under Article 11(2) of the basic Regulation, the anti-dumping measures applicable to imports of certain coated fine paper originating in the PRC, imposed by Regulation (EU) No 451/2011, should be maintained.

(132) The Committee established by Article 15(1) of Regulation (EU) 2016/1036 did not deliver an opinion,

HAS ADOPTED THIS REGULATION:

#### Article 1

1. A definitive anti-dumping duty is hereby imposed on coated fine paper, which is paper or paperboard coated on one or both sides (excluding kraft paper or kraft paperboard), in either sheets or rolls, and with a weight of 70 g/m<sup>2</sup> or more but not exceeding 400 g/m<sup>2</sup> and brightness of more than 84 (measured according to ISO 2470-1), currently falling within CN codes ex 4810 13 00, ex 4810 14 00, ex 4810 19 00, ex 4810 22 00, ex 4810 29 30, ex 4810 29 80, ex 4810 99 10 and ex 4810 99 80 (TARIC codes 4810 13 00 20, 4810 14 00 20, 4810 19 00 20, 4810 22 00 20, 4810 29 30 20, 4810 29 80 20, 4810 99 10 20 and 4810 99 80 20) and originating in the People's Republic of China.

The definitive anti-dumping duty does not concern rolls suitable for use in web-fed presses. Rolls suitable for use in web-fed presses are defined as those rolls which, if tested according to the ISO test standard ISO 3783:2006 concerning the determination of resistance to picking — accelerated speed method using the IGT tester (electric model), give a result of less than 30 N/m when measuring in the cross-direction of the paper (CD) and a result of less than 50 N/m when measuring in the machine direction (MD). The definitive anti-dumping duty does also not concern multi-ply paper and multi-ply paperboard.

2. The rate of duty applicable to the net free-at-Union- frontier price, before duty, for the products described in paragraph 1 and produced by the companies listed below shall be as follows:

Company	Duty rate (%)	TARIC additional code
Gold East Paper (Jiangsu) Co., Ltd, Zhenjiang City, Jiangsu Province, PRC; Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd, Suzhou City, Jiangsu Province, PRC	8	B001
Shangdong Chenming Paper Holdings Limited, Shouguang City, Shandong Province, PRC; Shouguang Chenming Art Paper Co., Ltd, Shouguang City, Shandong Province, PRC	35,1	B013
All other companies	27,1	B999

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

#### Article 2

This Regulation shall enter into force on the day following 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, 3 July 2017.

For the Commission  
The President  
Jean-Claude JUNCKER