



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.3.2007  
COM(2007) 137 final

Proposal for a

**COUNCIL REGULATION**

**terminating the partial interim review of the anti-dumping measures applicable to imports of hand pallet trucks and their essential parts originating in the People's Republic of China**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

### 1) CONTEXT OF THE PROPOSAL

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

This proposal concerns the application of 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 ("the basic Regulation") in the proceeding concerning imports of hand pallet trucks and their essential parts 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**

There are no existing provisions in the area of the proposal.

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

Not applicable.

### 2) CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

Interested parties concerned by the proceeding have already 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.

### 3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

On 31 May 2006, the Commission initiated on its own initiative a partial interim review of the anti-dumping measures applicable to imports of hand pallet trucks and

their essential parts originating in the People's Republic of China.

The information at the Commission's disposal indicated that, following certain changes after the original investigation in the structure of one Chinese exporting producer which was not granted market economy treatment (MET) in that investigation, namely Ningbo Ruyi Joint Stock Co., Ltd. ('Ningbo Ruyi'), market economy conditions prevailed. There was sufficient *prima facie* evidence suggesting that Ningbo Ruyi fulfilled the criteria of Article 2(7)(c) of the basic Regulation. In this context, the circumstances on the basis of which the existing measures were established were considered to have changed and these changes seemed to be of a lasting nature.

Ningbo Ruyi's failure to disclose all its related companies makes it impossible to make a MET determination covering all its related companies. Furthermore, Ningbo Ruyi's failure to disclose all its related parties in its audited financial statements is a breach of International Accounting Standard 24 (Related Party Disclosures). In this context, it cannot be concluded that market economy conditions prevail for Ningbo Ruyi and a new dumping margin cannot be calculated.

It is, therefore, proposed to terminate the review without amending the level of the duty applicable to Ningbo Ruyi.

Member States were consulted and supported this proposal unanimously.

It is proposed that the Council adopt the attached proposal for a Regulation which should be published in the *Official Journal of the European Union* not later than 30 August 2007.

- **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(s).

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

Indication of how financial and administrative burden falling upon the Community, national governments, regional and local authorities, economic operators and citizens is minimized and proportionate to the objective of the proposal is not applicable.

- **Choice of instruments**

Proposed instruments: regulation.

Other means would not be adequate for the following reason(s).

The above-mentioned basic regulation does not foresee alternative options.

**4) BUDGETARY IMPLICATION**

The proposal has no implication for the Community budget.

Proposal for a

## COUNCIL REGULATION

**terminating the partial interim review of the anti-dumping measures applicable to imports of hand pallet trucks and their essential parts originating in the People's Republic of China**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

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> ('the basic Regulation'), and in particular Article 11(3) thereof,

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

Whereas:

### A. PROCEDURE

#### 1. Measures in force

(1) Following an investigation ('the original investigation'), the Council, by Regulation (EC) No 1174/2005<sup>2</sup>, imposed a definitive anti-dumping duty on imports of hand pallet trucks and their essential parts originating in the People's Republic of China ('PRC').

#### 2. *Ex officio* initiation of a review

(2) On the basis of information at the Commission's disposal following certain changes after the original investigation in the structure of one Chinese exporting producer which was not granted market economy treatment in that investigation, namely Ningbo Ruyi Joint Stock Co., Ltd. ('Ningbo Ruyi'), it appeared that market economy conditions prevailed for this company. In effect, there was sufficient *prima facie* evidence suggesting that Ningbo Ruyi fulfilled the criteria of Article 2(7)(c) of the basic Regulation. In this context, the circumstances on the basis of which the existing measures were established were considered to have changed and these changes seemed to be of a lasting nature.

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<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 189, 21.7.2005, p. 1.

- (3) Having determined, after consulting the Advisory Committee, that sufficient evidence existed for the initiation of a partial interim review pursuant to Article 11(3) of the basic Regulation, the Commission published a notice ('notice of initiation')<sup>3</sup> and commenced an investigation on its own initiative, limited in scope to determine whether Ningbo Ruyi operates under market economy conditions and, if so, to determine whether its individual dumping margin and duty rate should be based on its own costs/domestic prices.

### **3. Parties concerned by the investigation**

- (4) The Commission officially advised Ningbo Ruyi and its related importer Jungheinrich AG, as well as the representatives of the exporting country and the Community industry of the initiation of the review. Interested parties were given the opportunity to make their views known in writing and to request a hearing.
- (5) The Commission also sent a claim form for market economy treatment ('MET') and a questionnaire to Ningbo Ruyi and received replies within the deadlines set for that purpose. The Commission sought all the information it deemed necessary for the determination of MET and dumping, analysed the information provided and carried out verification visits at the premises of the related companies:
- Ningbo Ruyi Joint Stock Co., Ltd, Ninghai;
  - Ruyi Industries (Hong Kong) Co., Ltd. ('Ruyi Hong Kong'), Hangzhou;
  - Jungheinrich Lift Trucks (Shanghai) Co., Ltd. ('Jungheinrich Shanghai'), Shanghai.

### **4. Review investigation period**

- (6) The investigation of dumping covered the period from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006 ('review investigation period' or 'RIP').

## **B. PRODUCT CONCERNED AND LIKE PRODUCT**

### **1. Product concerned**

- (7) The definition of the product concerned corresponds to the one that was used in the original investigation mentioned under recital (1) above. The product concerned is hand pallet trucks ('HPT'), not self propelled, used for the handling of materials normally placed on pallets, and their essential parts, i.e. chassis and hydraulics, originating in the PRC, currently classifiable within CN codes ex 8427 90 00 and ex 8431 20 00 (TARIC codes 8427 90 00 10 and 8431 20 00 10).

### **2. Like product**

- (8) The current review has shown that the HPT produced in the PRC by Ningbo Ruyi and sold on the Chinese market have the same basic physical characteristics and the same

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<sup>3</sup> OJ C 127, 31.5.2006, p. 2.

uses as those exported to the Community. Therefore, these products are considered to be a like product within the meaning of Article 1(4) of the basic Regulation.

### C. RESULTS OF THE INVESTIGATION

- (9) Pursuant to Article 2(7)(b) of the basic Regulation, in anti-dumping investigations concerning imports originating in the PRC, normal value shall be determined in accordance with paragraphs 1 to 6 of the said Article for those producers which were found to meet the criteria laid down in Article 2(7)(c) of the basic Regulation, i.e. where it is shown that market economy conditions prevail in respect of the manufacture and sale of the like product. These criteria are set out in a summarised form below:
- business decisions are made in response to market signals, without significant State interference, and costs reflect market values;
  - firms have one clear set of basic accounting records which are independently audited in line with international accounting standards ('IAS') and are applied for all purposes;
  - no distortions carried over from the non-market economy system;
  - bankruptcy and property laws guarantee stability and legal certainty;
  - exchange rate conversions are carried out at market rates.
- (10) Ningbo Ruyi requested MET pursuant to Article 2(7)(b) of the basic Regulation. It is the Community's consistent practice to examine whether a group of related companies involved in the production and/or sale of the product concerned as a whole fulfils the conditions for MET. According to Ningbo Ruyi, there was only one such related company in the PRC – Jungheinrich Shanghai. Ningbo Ruyi replied to the MET claim form within the given deadline.
- (11) In the course of the investigation, the Community industry claimed that there seemed to be various companies related to Ningbo Ruyi which were not duly disclosed by the company in the information submitted to the Commission, including in the audited financial statements. According to the Community industry, the non-disclosure of related companies in financial statements is a breach of IAS 24 (Related Party Disclosures) and it requested the Commission to verify this issue.
- (12) It was found during the verification visits that there were related companies which were not disclosed in the audited financial statements (breach of IAS 24) or in the replies to the MET claim form and to the questionnaire. In this respect, it is worth noting that both the MET claim form and the questionnaire requested Ningbo Ruyi to describe its world-wide corporate structure and affiliations, including parent companies, subsidiaries or other related companies, whether or not involved in the production and/or sale of the product concerned. Furthermore, Ningbo Ruyi was requested to submit a MET claim form for each subsidiary or other related company in the PRC which was a producer and/or exporter of HPT and to provide details about all other related companies.

- (13) According to Ningbo Ruyi's *Auditor's Report and Financial Statements for the year ended 31 December 2005* ('Report 2005') and the replies to the MET form and the questionnaire, Ningbo Ruyi only had three related companies in the RIP: Jungheinrich AG, Jungheinrich Shanghai and Ruyi Hong Kong. The investigation, however, showed that the Chinese shareholders of Ningbo Ruyi have also controlling shareholdings in Ningbo CFA Co., Ltd. ('Ningbo CFA') and Ningbo Free Trade Zone Ruyi International Trading Co., Ltd. ('NFTZ').
- (14) There are also other companies owned by relatives of the Chinese shareholders of Ningbo Ruyi: CFA Tools Co., Ltd. ('CFA Tools'), a company incorporated in Hong Kong, and Zhejiang Tianyou Import & Export Co., Ltd. ('Tianyou').
- (15) All the above-mentioned companies not disclosed by Ningbo Ruyi are thus related to Ningbo Ruyi for the purposes of the current review. Three of them were traders of HPT in the RIP and all have a business licence allowing them to trade HPT. They seem to have exported mainly to countries outside the Community. At least three quarters of the sales volumes reported by Ningbo Ruyi as domestic sales were in fact export sales channelled through non-disclosed domestic related customers and unrelated customers.
- (16) Finally, the nature of the transactions between Ningbo Ruyi and Ningbo Jinmao Import & Export Co., Ltd. ('Ningbo Jinmao'), which was reported as a related company in the original investigation (Ningbo Ruyi sold its shareholding in November 2003), is an indication that the two companies still have close links in the HPT business. Ningbo Jinmao bought more than half of the HPT reported by Ningbo Ruyi as domestic sales in the RIP and then resold a significant quantity to NFTZ, which exported them. NFTZ did not buy any HPT directly from Ningbo Ruyi. The fact that Ningbo Jinmao is one of Ningbo Ruyi's main customers and sells a large quantity of its purchases to NFTZ shows that Ningbo Ruyi knew or should have known that most sales to Ningbo Jinmao could not be domestic sales as NFTZ, a related company, was exporting the products bought by Ningbo Jinmao.
- (17) Some time after the on-the-spot verification visit, Ningbo Ruyi submitted some new information concerning the MET status of certain of these non-disclosed related companies arguing that a MET determination for the whole group could still be made. This was on the grounds that the non-disclosure was not intentional and because the involvement of these related parties with sales of the product under investigation was not significant. For the same reasons, Ningbo Ruyi's partner, Jungheinrich AG, also argued that this new information should be considered and MET granted.
- (18) Whether or not there was any intent to impede the investigation by the timely non-disclosure of related parties, the fact is that questionnaire responses were substantially incomplete to a degree which made it impossible to verify the existence or otherwise of market economy conditions for the Ningbo Ruyi group during the verification visits which were carried out in the PRC. With no verification visits possible at the premises of the non-disclosed related parties, the extent to which the Ningbo Ruyi group was involved with HPT can only remain a matter of conjecture.
- (19) In any event, Ningbo Ruyi's failure to disclose in its financial statements all its related parties is a breach of IAS 24. The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the



possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. In the framework of an anti-dumping investigation, such disclosure is necessary to allow the institutions to examine whether a group of related companies as a whole fulfils the conditions for MET.

- (20) The breach of IAS 24 shows that the audit of Ningbo Ruyi's financial statements was not carried out in accordance with IAS and casts doubts on the reliability of Ningbo Ruyi's accounts. This would lead to the failure of Ningbo Ruyi to meet the second criterion laid down in Article 2(7)(c) of the basic Regulation.
- (21) Although the provisions of Article 18 of the basic Regulation concerning non-cooperation could apply in this review, it is noted that the Commission initiated this review on its own initiative because it had *prima facie* evidence that market economy conditions prevailed for Ningbo Ruyi, something that Ningbo Ruyi subsequently failed to demonstrate. Consequently, it is considered that there is no need to invoke Article 18 of the basic Regulation, but suffices to terminate the review and maintain the existing measure in force.

#### **D. TERMINATION OF THE REVIEW**

- (22) In the light of the results of the investigation, the review should be terminated without amending the level of the duty applicable to Ningbo Ruyi, which should be maintained at the level of the definitive anti-dumping duty rate established in the original investigation, i.e. 28,5%.

#### **E. DISCLOSURE**

- (23) Interested parties were informed of the essential facts and considerations on the basis of which it was intended to terminate the present review and to maintain the existing anti-dumping duty on imports of HPT produced by Ningbo Ruyi. All parties were given an opportunity to comment. The comments received were not of a nature to change the conclusions.
- (24) Following disclosure, the Community industry claimed that the non-cooperation provisions of the basic Regulation (Article 18) should be applied and Ningbo Ruyi should be penalised with the 46,7% residual duty as a non-cooperating exporting producer.
- (25) Jungheinrich AG and Ningbo Ruyi considered that Ningbo Ruyi's failure to disclose all its related companies was minor and unintentional and had no impact on Ningbo Ruyi's financial situation. Therefore, Ningbo Ruyi should be granted MET or at least a revised lower individual duty rate.
- (26) The failure to disclose all related companies, in particular since three out of the four non-disclosed related companies were involved in HPT business and the other one has a business licence that allows it to trade HPT, cannot be considered minor because it did not allow a determination of whether it has been shown that all MET criteria are met (and not only the second criterion concerning accounting) for all companies, in line with the Community's standard practice. Furthermore, whether the failure to disclose all these related companies was unintentional is irrelevant. The uncontested

fact is that these related companies were not even disclosed in the financial statements of Ningbo Ruyi and this by itself showed that at least the second criterion of Article 2(7)(c) of the basic Regulation was not met. Consequently, the claim that the failure to disclose these related companies was minor, unintentional and without any impact cannot be accepted.

- (27) Finally, as set out in recital (3) above, this review is limited in scope to determine whether Ningbo Ruyi operates under market economy conditions and, only if MET had been granted to Ningbo Ruyi, would a new dumping margin be calculated. Thus, since MET is not granted, no new dumping margin, higher or lower than the existing one, can be established for Ningbo Ruyi through this review.
- (28) This review should therefore be terminated without any amendment to Regulation (EC) No 1174/2005,

HAS ADOPTED THIS REGULATION:

*Sole Article*

The partial interim review of the anti-dumping measures applicable to imports of hand pallet trucks and their essential parts originating in the People's Republic of China, initiated pursuant to Article 11(3) of Regulation (EC) No 384/96, is hereby terminated without amending the anti-dumping measures in force.

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

Done at Brussels, [...]

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