
**Circumvention of anti-dumping and countervailing duties on
imports of GFF from China and Egypt
by imports consigned from Turkey
Request under Article 13 of Regulation 1036/2016 and
Article 23 of Regulation 1037/2016**

Open Version

Lodged on 29 October 2021

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1. Executive summary

1. TECH-FAB Europe e.V. ("Tech-Fab" or the "Applicant"), an association of EU producers of glass fibres fabrics ("GFF"), requests that the Commission open an anti-circumvention investigation under Article 13 of the Basic Anti-Dumping ("AD") Regulation¹ and Article 23 of the Basic Anti-Subsidy ("AS") Regulation² concerning imports of GFF consigned from Turkey, with a view to extending to imports from Turkey the AD and AS measures imposed on GFF imports from China and Egypt.
2. Following investigations AD653 and AS656, Regulation 2020/492³ imposed definitive AD measures and Regulation 2020/776⁴ imposed definitive AS measures on EU imports of GFF from China and Egypt ("initial measures").
3. In late 2018, the CNBM Group, which produces GFF in China and Egypt, opened its first GFF site in Turkey. That site became operative in 2019 Q1 when AD653 was initiated. It is managed by Hengshi, the CNBM Group's GFF business unit, and has a GFF capacity of 30,000 to 40,000 MT.
4. According to the Applicant's best information, and as discussed further below, Hengshi Turkey was established primarily to supply the EU market. It started the qualification processes for its GFF with EU customers as soon as its sites became operative.
5. The GFF produced by Hengshi Turkey continue to be dumped in relation to the normal value established by Regulation 2020/492, and continue to benefit from subsidies found by Regulation 2020/776.
6. Hengshi Turkey is offering GFF to EU customers, including those previously supplied from China and Egypt, and are doing so at prices that are similar to those that gave rise to the adoption of Regulation 2020/492 and Regulation 2020/776. It is thereby exercising price suppression and undercutting of the EU sales prices of the EU industry, and thus undermining the remedial effect of the existing AD and AS measures.

2. The interested parties

7. This Request is brought by Tech-Fab, an association of EU GFF producers. **Annex 1** contains a list of all known EU producers and Tech-Fab's power of attorney. The contact details of the producers and associations in the subject country are attached as **Annex 2**. A list of known EU importers and users is attached as **Annex 3**.

¹ Regulation 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, OJ 2016 L176/21.

² Regulation 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 2016 L176/55.

³ Regulation 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 108/1.

⁴ Regulation 2020/776 of 12 June 2020 imposing definitive countervailing duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L189/1.

3. The initial measures imposed on imports of GFF from China and Egypt

8. Regulation 2020/492⁵ imposed **definitive AD measures** on EU imports of GFF from China and Egypt following investigation AD653.
9. The two sampled groups of exporting producers in China were the CNBM Group and the Yuntianhua Group. The AD duty imposed on EU imports of GFF from China made by the CNBM Group is 99.7%. The AD duty imposed on GFF imports from the Yuntianhua Group is 37.6%. The residual AD duty on EU GFF imports from China is 37.6% for cooperating exporting producers, and 99.7% for all other Chinese exporting producers.
10. The sole GFF producer in Egypt is the CNBM Group. The AD duty imposed on all EU imports of GFF from Egypt is 20%.
11. Regulation 2020/776⁶ imposed **definitive AS measures** on EU imports of GFF from China and Egypt following investigation AS656.
12. The two sampled groups of exporting producers in China were the CNBM Group and the Yuntianhua Group. The AS duty imposed on EU imports of GFF from China made by the CNBM Group is 30.7%. The AS duty imposed on GFF imports from the Yuntianhua Group is 17.0%. The residual AS duty on EU GFF imports from China is 24.8% for cooperating exporting producers, and 30.7% for all other Chinese exporting producers.
13. The sole GFF producer in Egypt is the CNBM Group. The AS duty imposed on all EU imports of GFF from Egypt is 10.9%.
14. **The combined AD and AS measures** imposed on EU imports of GFF from China are 99.7% for the CNBM Group, 54.6% for the Yuntianhua Group, 62.4% for exporting producers cooperating in both the AD and the AS investigations, 68.3% for exporting producers cooperating only in the AD investigation, and 99.7% for all other Chinese exporting producers. The combined AD and AS duties imposed on all EU imports of GFF from Egypt are 30.9%.

4. Period under consideration

15. For purposes of establishing the change in the pattern of trade, the Request refers to the twelve-month period from 1 July 2020 to 30 June 2021 (the "change in the pattern of trade period" or "CPTP").
16. The reference periods for purposes of establishing that there is injurious dumping and subsidisation are:
 - with regard to normal values, the period of the initial AD investigation AD653 which established measures at their present level, i.e. the calendar year 2018 (the "original investigation period" or "OIP"),
 - with regard to the subsidies received, the period of the initial AS investigation AS656 which established measures at their present level, i.e. the calendar year 2018 (the "original investigation period" or "OIP"), and

⁵ Regulation 2020/492, Article 1.

⁶ Regulation 2020/776, Article 1.

- with regard to the export prices to the EU of GFF consigned from Turkey, and the domestic sales prices of EU producers to establish suppression of prices and undercutting, the PTP.

17. Where available, more recent (price) information has also been provided.

5. The product concerned and the like product

5.1. The product concerned

18. The product concerned by this Request is the same as in AD653 and AS656, namely fabrics of woven, and/or stitched continuous filament glass fibre rovings and/or yarns with or without other elements, excluding products which are impregnated or pre-impregnated (pre-preg), and excluding open mesh fabrics with cells with a size of more than 1.8 mm in both length and width and weighing more than 35 g/m² consigned from Turkey, whether declared as originating in Turkey or not, currently falling under combined nomenclature (CN) codes ex 7019 39 00, ex 7019 40 00, ex 7019 59 00 and ex 7019 90 00.⁷
19. Imports of GFF from Turkey are not subject to conventional customs duties under the EU-Turkey Customs Union.⁸
20. The product concerned is used to reinforce thermoplastic and thermoset resins in the composites industry. There are three representative types of the product subject to this Request: (i) woven rovings ("WR")⁹, (ii) knitted non-crimp fabrics ("NCF")¹⁰; and (iii) complex materials ("CM")¹¹.

⁷ Regulation 2020/492, recital 52. TARIC codes 7019390080, 7019400080, 7019590080 and 7019900080. Imports of the product concerned are primarily reported under CN codes 7019 3900 and 7019 4000 and assessment of trade data such as Eurostat and GTA is done for these codes. They may however also be reported under CN codes ex 7019 5900 and ex 7019 9000. It is the Applicant's understanding that imports under these codes are mostly open mesh fabrics currently subject to anti-dumping measures. Consequently, imports under those codes are not analysed in the present Request. Nevertheless, the inclusion of these codes is necessary in order to cover all of the product concerned, and to prevent additional circumvention practices.

⁸ See Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC), Article 4.

⁹ WRs are plain (including unidirectional), satin and twill woven fabrics of glass fibre rovings with an area weight of up to 1500 g/m². WR are woven on a hydraulic loom, using glass fibre rovings as both the warp and weft yarns, to produce the finished goods.

¹⁰ NCFs are multiaxial (including uniaxial) fabrics of two to four layers of glass fibre rovings or yarns – also in combination with chopped strand mats ("CSM") or continuous filament mats ("CFM"), tissues or veils that can be added as top layer (fifth layer) and sometimes bottom layer (sixth layer) – stitched together at 0°, 90°, +/- 45° or other orientations, with an area weight of up to 2400 g/m². NCFs are produced by feeding between 2 and 4 glass fibre rovings or yarns into a multiaxial stitching or knitting machine at specific angles, 0°, 90°, +/-45° and other orientations in accordance with the product specifications. These layers of rovings are superimposed on one another and then mechanically stitched together, rather than woven, using a light polyester thread. A gauge of stitching of 5, 7 or 10 needles per inch is applied. In some cases, a layer of CSM or CFM, or a glass fibre veil or tissue, is also stitched in as one of the superimposed "layers".

¹¹ CMs are fabrics with an area weight of up to 2400 g/m² made by: (i) mechanically stitching layers of WR or NCF to one or both sides of a synthetic core; (ii) combining WR with CSM, CFM or veils by mechanical stitching (stitched-bonded), powder bonding (glued), or needling with needles (without binder or stitching yarn); or (iii) mechanically stitching layers of CSM, CFM or veils to a synthetic core (without WR). CMs are produced by placing a synthetic core (normally a type of polyester needle mat), together with any combination of woven roving fabric, chopped strand mat, continuous filament mat or veil in a stitching machine. These layers are then stitched together, normally with polyester thread, at 2 to 5 mm intervals. In some cases, layers of woven roving and mat or veil will be stitched together (using a similar machine), powder bonded (glued) or needled (stitching, without binder or stitching yarn), before being placed in the stitching machine to be joined to the core.

All types of GFF have the same basic physical, chemical and technical characteristics as well as the same basic uses.¹²

5.2. The like product

21. There are no differences between the product concerned from Turkey, the like product produced in the EU, and GFF produced in China and Egypt. The production processes are the same globally and GFF have the same basic physical, chemical and technical characteristics and uses, irrespective of their place of production.¹³

5.3. Product control numbers

22. To ensure a fair comparison between GFF imports consigned from Turkey and GFF made in the EU, the Applicant suggests that the Commission use the same product control number (“PCN”) criteria as in AD653 and AS656.

6. The subject country

23. There are currently two major genuine producers of GFF in Turkey, Saertex Turkey Tekstil Ltd. Şirketi and Metyx Composites Telateks A.S. In addition, there are also some smaller producers in Turkey, including e.g. Fibroteks Dokuma Sanayi Ve Ticaret A.S.¹⁴ Domestic GFF capacities of the genuine domestic producers is approximately 15,000 to 20,000 MT.
24. In late 2018, the CNBM Group set up Hengshi Turkey Fiberglass San ve Tic A.Ş İş İlanları (Hengshi Turkey).¹⁵ Hengshi Turkey was initially established in cooperation with Kologlu Kimya Sanayi Ve Insaat Ticaret Limited Sirketi (“Kologlu Kimya”), an independent trader of the CNBM Group. The paid-in capital of Hengshi Turkey is USD 2,400,000. Kologlu Kimya has a non-controlling 15% equity interest in Hengshi Turkey, representing an investment of USD 360,000.¹⁶
25. Hengshi Turkey is located within a special economic export zone, at Karamehmet, Avrasya Bulvarı, Avrupa Serbest Bölgesi D:No:37, Ergene. There, the company does not pay VAT, anti-dumping duties or customs duties on imports of rovings (the main raw material of GFF) from China,¹⁷ and no VAT or customs duties of import of rovings from Egypt. These exemptions are subject to the condition that Hengshi Turkey exports at least 85% of its production.¹⁸

¹² See Regulation 2020/492, recitals 56 and 57.

¹³ Regulation 2020/492, recital 56. The Commission selected Turkey as reference country for the determination of the normal value in relation to imports from China in AD653.

¹⁴ See **Annex 4**, Information on GFF market in Turkey.

¹⁵ Hengshi is the CNBM Group's GFF business unit. The CNBM Group also operates an upstream GFR business unit. The business unit is called Jushi and has operations in China, Egypt and the US. Jushi produces the main input material for GFF, namely rovings which is a form of GFR.

¹⁶ See **Annex 5**, Hengshi Annual Report 2018, p 84

¹⁷ See **Annex 4**, Turkey AD duties on GFR from China. Turkey imposed AD measures on imports of glass fibre reinforcements (GFR) from China in December 2010 and extended these measures in November 2016 until November 2021. The EU imposes combined AD and AS measures on imports of rovings from Jushi China at the level of 24.8%.

¹⁸ See **Annex 6**, Market intelligence on Hengshi Turkey.

26. The establishment of Hengshi Turkey was seen by the CNBM Group as *"another strategic move of the group's international drive" to "consolidate and increase the Group's overseas market share, brand influence and internationalization"*¹⁹ *"as the Group insists on carrying out its globalized industrial planning."*²⁰
27. Hengshi Turkey is seen by the CNBM Group as strategic investment to *"strengthen the security of supply to the customers in Turkey and neighboring countries"* (i.e. the EU), and *"to decrease the possible damages brought by Sino-US trade friction"*.²¹ The operating risks identified by the 2018 Financial Report with the expansion of Hengshi's operations to Turkey were *"risks associated with the anti-dumping duties imposed on our products by the European Union and the Sino-U.S. trade friction"*.²²
28. In other words, as in the case of Jushi Egypt and Hengshi Egypt²³, Hengshi Turkey was also set up (to be prepared) to circumvent trade actions taken by China's trading partners against unfairly subsidised and dumped product exported directly from China to the EU (and the US).
29. At the end of 2018, Hengshi Turkey had less than 30 employees, mainly personnel hired for the construction of the assembly base in Turkey.²⁴ It became operative in 2019 Q1 – when AD653 started – initially with six GFF machines provided by Hengshi China.²⁵ In 2020, Hengshi Turkey further extended its site by renting additional four locations and adding another 19 GFF machines. By the end of 2020, Hengshi Turkey had a production capacity of 30,000-40,000 MT, depending on product mix, or up to approximately 25% of total EU demand. For 2021, it has planned to increase its capacities by another 5 machines, to reach a total of 30.²⁶ To the Applicant's best understanding, the capacities are presently primarily dedicated to NCF but it is understood Hengshi might also start to assemble CMs in the future.
30. In 2019 and 2020 H1, Hengshi Turkey focused mainly on qualifying its GFF with large EU wind customers, such as Vestas, Siemens Gamesa Renewable Energy (SGRE), Enercon and others. Since the second half of 2020, it has been shipping rapidly increasing commercial volumes to the EU at highly injurious low prices.
31. Domestic GFF demand in Turkey was approximately 20,000-25,000 MT in 2020, mainly in the wind energy sector. Traditionally, domestic Turkish demand has been met by the genuine local producers and (pre-)existing imports (which are in the range of 7,000-10,000 MT per year).²⁷ Exports of GFF have traditionally been low and were mainly to the EU.²⁸ Demand in 2021 is

¹⁹ See **Annex 5**, Hengshi Annual Report 2018, p 7.

²⁰ See **Annex 5**, Hengshi Annual Report 2018, p 13.

²¹ See **Annex 5**, Hengshi Annual Report 2018, p 13.

²² See **Annex 5**, Hengshi Annual Report 2018, p 26.

²³ See **Annex 6**, Market intelligence on Hengshi Turkey.

²⁴ See **Annex 5**, Hengshi Annual Report 2018, p 16.

²⁵ See **Annex 6**, Market intelligence on Hengshi Turkey.

²⁶ See **Annex 6**. To the Applicant's best understanding, the CNBM Group intended to source the GFF machines from the German producer Karl Mayer. However, the German export control authority (BAFA) apparently refused to authorise the export. Instead, the CNBM Group has been transferring the machines from the Hengshi business unit in China and/or in Egypt.

²⁷ See **Annex 4**.

²⁸ See **Annex 7**, Roving summary. Based on an analysis of the domestic demand and capacities, the overall volume of imports and the exporting countries, and the price levels of imports, it is reasonable to consider that essentially all imports into Turkey declared under CN code 7019 3900 and 7019 4000 are GFF. The difference between the import volumes reported by Turkey and the export volumes reported by its trading partners appears to be mostly due to time lags in

expected to be in a similar range, and could potentially increase somewhat depending on whether certain planned wind park projects will materialise.²⁹

32. However, domestic demand in Turkey is not and will not in the foreseeable future be in a range that would justify the addition of over 30,000 MT in domestic GFF capacities. This confirms that Hengshi Turkey was set up in an export zone (where it benefits from tax and duty benefits if it exports least 85% of its volume of assembled GFF) to circumvent the EU AD/AS measures on imports of GFF from China and Egypt.

7. Unjustified change in pattern of trade

33. As shown in Section 6, the CNBM Group has extremely quickly – and with minimum financial investment – set up sites in Turkey with GFF capacities in total equivalent to approximately one-fourth of total EU demand.
34. The capacities of Hengshi Turkey are largely destined to supply the EU market. They are approximately as high as the GFF import volumes from China (37,558 MT) and clearly exceed the GFF import volumes from Egypt (15,334 MT) in the OIP of the initial AD and AS investigations.³⁰ To the Applicant's best understanding, Hengshi Turkey has been qualifying its GFF with at least the same EU users it had previously supplied from China, and has already been exporting GFF to the EU in commercial quantities.³¹
35. Exports of rovings, the main raw material for the production of GFF, from China and Egypt to Turkey have increased significantly since Hengshi Turkey was established in late 2018.

Table 1 – Imports of GFR rovings from China and Egypt to Turkey

Rovings imports to Turkey (MT)	2018	2019	2020	CPTP
China	7,834	6,996	15,970	19,201
Egypt	12,494	9,142	20,565	30,149

Source: Annex 7, GTA

36. Considering that imports of GFR rovings from China are subject to AD measures in Turkey, it is reasonable to conclude that the steep increase in Chinese rovings imports in 2020 and 2021 represents volumes sourced by Hengshi which it uses at its site located in a customs free zone and which are therefore not subject to ordinary import duties or AD or AS duties. The 2020 and 2021 increases in rovings imports from Egypt is also largely due to sourcing by Hengshi, likely for use at its site located outside the customs free zone. To the Applicant's best knowledge, genuine domestic producers in Turkey did not increase their GFF production capacities between 2018 and 2020, certainly not to an extent that would justify the additional GFR roving import

registering exports on the one hand and imports on the other hand, due to shipping times. With regard to the differences between exports from China and imports into Turkey specifically, this could also include volumes for transshipment to the EU in view of the ongoing AD/AS investigations in 2019 and the imposition of the AD and AS measures in 2020. This suspicion is in particular supported by the fact that imports from China to Turkey were particularly high in 2019, which indicates stockpiling while Hengshi Turkey was being set up and decreased once Hengshi Turkey started qualification of its own assembled GFF. Also, based on market intelligence, Hengshi Turkey has offered CM to EU customers despite the fact that it does not yet assemble CM in Turkey.

²⁹ See Annex 4, Turkish GFF Market.

³⁰ Regulation 2020/492, recital 378.

³¹ See e.g. paragraph 42 below.

volumes. By contrast, over that same period, Hengshi had ramped up its GFF capacities from 0 to between 30,000 and 40,000 MT (depending on product mix).

37. To determine the increase in imports of GFF from Turkey into the EU, it is not possible to rely on raw Eurostat data. As found in the initial investigations, the majority of imports declared under CN codes 7019 3900 and 7019 4000 are not GFF but other glass fibre-based products.³² In the initial investigation, the Applicant provided evidence from a Turkish producer, which showed that genuine Turkish producers exported GFF to the EU only under CN heading 7019 4000 during the period under investigation in the initial proceedings. EU imports declared under CN code 7019 3900 were other glass fibre-based products and not taken into account either in the initial AD and AS complaints or in Regulations 2020/492 and 2020/776.³³ The GFF export volumes from Turkey were established to be as follows:

Table 2 – GFF imports from Turkey during the initial investigation

GFF imports from Turkey	2015	2016	2017	17Q4 - 18Q3
Volume (MT)	1,245	1,505	629	726

Source: Annex 7, Eurostat, initial investigation

38. Based on the knowledge that raw Eurostat data for the ex CN Codes 7019 3900 and 7019 4000 is not *per se* conclusive, the Applicant has analysed more closely raw Eurostat data for 2019, 2020 and the CPTP.
39. First, the Applicant obtained the EU export data (per EU Member State) and additional market intelligence from the largest Turkish GFF producers. The situation still remains generally unchanged from that during the initial investigations.
40. In a next step, the Applicant extracted all EU imports of GFF from Turkey reported under CN codes 7019 39 and 7019 40 from Eurostat, and deducted therefrom the imports from the known Turkish producers. The remaining imports show an increase from approximately *Sensitive [5,000-9,000] MT in 2018 to over *Sensitive [9,000-13,000] MT in 2020 and to over *Sensitive [13,000-17,000] MT in the CPTP.
41. In a third step, the Applicant looked at individual EU Member States, and based on market intelligence from the EU industry, identified those volumes that are most probably attributable to Hengshi Turkey. Based on information on the user industries in various EU Member States, the Applicant has allocated only imports from Turkey into Italy, Lithuania and Slovenia to Hengshi in 2019 and 2020. In 2021 Q2 the Applicant also allocated imports into Spain to Hengshi because market intelligence indicates that Hengshi has started to supply wind energy companies in this Member State as well. All other EU imports from Turkey have been considered non-GFF. However, the Applicant understands that Hengshi Turkey will soon also start to supply *Sensitive [wind energy producer], Portugal.

³² Most likely these are glass fibre mats incorrectly declared under CN code 7019 3900 instead of 7019 3100.

³³ See e.g. Annex 27 of the initial AD complaint and Regulation 2020/492, recitals 446 et seq. Turkey is not mentioned separately in Table 12 but included in "Other third countries". The total import volume of those third countries was only 3,208 MT in 2018.

Table 3 – EU imports of GFF from Hengshi Turkey

Turkey (MT)	2019	2020	CPTP
Italy	*Sensitive	*Sensitive	*Sensitive
Lithuania	*Sensitive	*Sensitive	*Sensitive
Slovenia	*Sensitive	*Sensitive	*Sensitive
Spain	*Sensitive	*Sensitive	*Sensitive
Total	*Sensitive [0-500]	*Sensitive [2,100-2,600]	*Sensitive [5,300-5,900]

Source: **Annex 7**, Eurostat

42. Based on market intelligence, the increase in imports of GFF from Turkey to Italy reflects most likely shipments from Hengshi to *Sensitive [Italian wind energy company].³⁴ The jump in imports in 2020 Q4 indicates that Hengshi delivered first large volumes of GFF to *Sensitive [Italian wind energy company] following smaller volumes shipped in the context of the qualification process. Imports of GFF from Turkey to Lithuania are likely shipments for Hengshi to *Sensitive [name of Lithuanian company], a producer of nacelles for wind turbines.³⁵ Imports into Slovenia appear to be at least in part sales by Hengshi to *Sensitive [name of company], a subcontractor of *Sensitive [wind energy producer].³⁶ Shipments from Turkey to Spain are to the Applicant's best market intelligence sales by Hengshi to *Sensitive [wind energy producer] (Hengshi was able to win over a contract from PGTEX). Based on this conservative approach, looking only at these four EU Member States, imports of GFF from Hengshi Turkey to the EU increased by more than *Sensitive [5,200-5,600] MT from 2019 to the CPTP.
43. In a last step, the Applicant added up the import volumes allocated to Hengshi and those of the genuine Turkish producers. Accordingly, EU imports of GFF from Turkey have increased by approximately 365% since the establishment of Hengshi Turkey.

Table 4 – EU imports of GFF from Turkey

	2019	2020	CPTP
Imports (MT)	*Sensitive [2,300-2,800]	Sensitive [4,700-5,300]	*Sensitive [9,600-10,000]

Source: **Annex 7**, Eurostat

44. There is therefore a clear change in pattern of trade with regard to imports from Turkey within the meaning of Article 13(1) of the Basic AD Regulation and Article 23(1) of the Basic AS Regulation. This change in pattern of trade appears to be fully attributable to the CNBM Group as the Applicant has no evidence of circumvention practices by genuine Turkish producers.

8. Nature of circumvention

45. All indications are that Hengshi Turkey has been engaged in two forms of circumvention practices: (i) basic assembly, and (ii) transshipment.
46. The Applicant is not aware of circumvention practices by other Turkish producers, such as Saertex and Metyx. These latter companies have been active in Turkey for several years, and

³⁴ Indeed exports to Italy made by genuine Turkish GFF producers *Sensitive [information on export volume] between 2019 and 2020.

³⁵ Genuine Turkish GFF producers *Sensitive [information on exports to Lithuania in 2019 and 2020].

³⁶ Genuine Turkish GFF producers *Sensitive [information on exports to Slovenia in 2019 and 2020].

there are no indications that they have increased capacities and / or redirected exports to the EU as a result of the imposition of AD and AS measures on GFF EU imports from China and Egypt.

8.1. Basic assembly or completion operation

47. Hengshi Turkey's GFF site is an assembly operation within the meaning of Article 13(1) of the Basic AD Regulation, and it became operative just as investigation AD653 was initiated.³⁷
48. The main input material, i.e. the rovings, are to the Applicant's best knowledge sourced from China and/or Egypt where the GFR businesses of the CNBM Group are located. Rovings account for more than 60% of the material costs of GFF, and therefore materials from the countries subject to measures necessarily amount to more than 60%.³⁸
49. The value added to the Chinese and Egyptian parts in Turkey is not greater than 25%. In particular, in addition to the main input material (i.e. the rovings), the production equipment has been brought in from China and/or Egypt. It is also the Applicant's understanding that the skilled personnel employed by Hengshi Turkey are predominantly Chinese (or Egyptian). It takes at least 2-3 years to fully train a new employee to be able autonomously to set up and operate GFF machines, and Hengshi has to the Applicant's best understanding skilled personnel only in China and Egypt. The details of the analysis and supporting evidence are attached as **Annex 8**.
50. The Applicant also understands that Hengshi Turkey has installed cutting capacities and stitching capacities to convert some of the assembled (and/or imported) GFFs to kits. However, Hengshi Turkey appears to offer cutting activities only for one customer in Spain, and the volumes that are subject to cutting and stitching are (still) rather low (to TFE's best understanding in the range of 1,000 to 1,500 MT). The cutting activities have therefore essentially no impact on the 25% value added calculation.³⁹

8.2. Transshipment

51. To the Applicant's best knowledge, Hengshi Turkey has also been engaging in two forms of transshipment.
52. First, while the machines of Hengshi Turkey have been undergoing the certification processes with EU customers, Hengshi Turkey has been supplying its EU customers with GFF that were made on previously certified machines in China and Egypt.⁴⁰ This is in particular indicated by

³⁷ See Section 8.

³⁸ See **Annex 8**, 60% value test and 25% value added test, which applies the 60% value of parts and 25% value added tests to the operations of Hengshi Turkey.

³⁹ For the Commission's further information, while cut-to-share GFF are within the product scope, cutting is a step subsequent to and separate from assembly. Certain types of GFF used in wind blades, are cut into shape so they better fit into the wind blade moulds. Cutting is usually not done by GFF producers but by separate service providers called cutters or kitters. A major reason is that cutters are usually located very close to the wind blade producer, so that if needed they can make changes to the cut forms and shapes or provide replacement material on short notice. Also, the shipment of kits over larger distances is very expensive compared to shipping GFF (on rolls). First, in order not to damage the cut forms and shapes during transport, they require quite costly packaging in reusable containers. Furthermore, due to this packaging, a truck or T 20/40 shipping container holds only about one third of the volume in kits as compared to GFF on rolls. Hengshi Turkey appears to absorb fully the extra kitting, packaging and shipping costs in the prices offered to that customer. Thereby they not only inflict injury on the EU GFF industry, but also push independent EU cutters out of the market.

⁴⁰ See **Annex 6**, Market intelligence on Hengshi Turkey.

the large difference in Chinese export volumes to Turkey and Turkish import volumes from China, comparing 2019 on the one hand and 2020 and the CPTP on the other hand. After taking into account delays in reporting due to shipping times, the difference appears to consist of volumes stockpiled by Hengshi in the economic zone for later onward shipment to the EU after the Commission had imposed AD/AS measures.

53. Second, Hengshi Turkey sells to EU customers GFF product types not currently made in Turkey, namely CM, as having Turkish origin.⁴¹ These product types must be transhipped via Turkey from China, as they are also not produced by Hengshi Egypt to the Applicant's best understanding.

8.3. Conclusion

54. In sum, the CNBM Group has set up Hengshi Turkey to carry out at least two forms of circumvention practices to undermine the remedial effect of the EU AD/AS measures on direct imports of GFF from China and Egypt.
55. As stated above, the Applicant is not aware of circumvention practices by other Turkish producers.

9. Dumping in relation to the normal values established by Regulation 2020/492

56. The Applicant assessed whether EU GFF imports from Turkey are dumped by comparing the normal value established in the initial investigation AD653 with GFF import prices from Turkey in the CPTP.
57. The Applicant established the normal value on the basis of those found by the Commission for both countries subject to the initial investigations, i.e. China and Egypt.
58. For China, the NV is calculated based on the average Eurostat import prices of GFF in 2018, i.e. €1,676/MT,⁴² and the dumping duties established, i.e. 64.7% and 99.7%⁴³. The details of the calculations are set out in **Annex 9**.
59. For Egypt, the NV is calculated based on the average Eurostat import prices of GFF in 2018, i.e. €1,314/MT,⁴⁴ and the dumping duty established, i.e. 20%⁴⁵. The details of the calculations are set out in **Annex 10**.
60. The export price is based on price quotes collected for Hengshi Turkey for 2020 Q3 to 2021 Q2, attached as **Annex 11**. To ensure a fair comparison, where necessary, prices have been adjusted to CIF and EXW levels, respectively, by deducting or adding, as required, value added tax ("VAT"), re-seller/importer mark-ups, (inland/ocean) freight and customs handling charges.⁴⁶

⁴¹ See **Annex 6**, Market intelligence on Hengshi Turkey

⁴² Regulation 2020/492, recital 381.

⁴³ Regulation 2020/492, Article 1.

⁴⁴ Regulation 2020/492, recital 381.

⁴⁵ Regulation 2020/492, Article 1.

⁴⁶ Currency conversions are based on the average monthly exchange rates published by DG Budget and attached as **Annex 12**. Freight costs were obtained from EU producers and are attached as **Annex 13**.

61. The dumping calculations have been made by comparing the NV with the respective export prices. The calculations clearly demonstrate that imports of GFF from Turkey are sold at dumped prices compared to the NV established in AD653. The details of the dumping calculations are set out in **Annex 14** and show dumping margins of up to 170%.
- 10. GFF imported into the EU from Turkey benefit from the subsidies that Regulation 2020/776 found to be granted to the Chinese and Egyptian GFF producers**
62. The Applicant has assessed whether GFF assembled in Turkey or parts thereof benefit from the subsidies established in the initial investigation AS656.
63. Indeed, the subsidies found by Regulation 2020/776 for the Chinese and Egyptian GFF producers also reflect government support provided to vertically integrated GFR business units of Chinese and Egyptian GFF producers⁴⁷, such as the CNBM Group⁴⁸ and the Yuntianhua Group⁴⁹. The Commission also confirmed in separate AS investigations that rovings from China and Egypt are subject to substantial price-distorting subsidies.⁵⁰
64. The majority of Chinese glass fibre companies, including the CNBM Group and the Yuntianhua Group and their foreign subsidiaries, are ultimately controlled by the Government of China (GOC). The GOC has a strong focus on building a globally dominant, integrated glass-based light materials value chain in China and within countries that participate in its Belt and Road Initiative (BRI), including in Egypt.⁵¹
65. Chinese glass fibre conglomerates, including their subsidiaries abroad, have therefore a very high incentive to pass on any government subsidies through distorted prices to Chinese GFF operations, including those abroad, in order to foster the GOC's expansion policy. In line with the Commission's findings in the initial AS investigation, there is therefore strong *prima facie* evidence that GFF assembled by Hengshi Turkey and/or parts thereof benefit from the subsidies countervailed by Regulation 2020/776.
66. This becomes further evident when looking at the structure of the market for GFF. EU wind blade producers do not allow GFF producers to use just any rovings, but specify in their calls for tender and in the purchase orders to GFF producers the exact roving suppliers they have approved (and from which the GFF producers can therefore source rovings). The rovings of the major Chinese and Egyptian producers are among the ones approved by the EU wind blade producers.⁵²
67. IHS Markit import statistics for rovings show that the large majority of rovings imported into Turkey are from China and Egypt.⁵³ Prices of roving imports from China and Egypt to Turkey are significantly lower than the prices of EU roving imports from China and Egypt.⁵⁴

⁴⁷ Regulation 2020/766, recitals 484, 624 et seq, 768 and 932.

⁴⁸ The CNBM Group's GFR business is conducted by Jushi China and Jushi Egypt.

⁴⁹ The Yuntianhua Group's GFR business is conducted by CPIC.

⁵⁰ See Regulation 2021/328, OJ 2021 L65/1 and Commission Regulation 2020/870, OJ 2020 L201/10.

⁵¹ See e.g, Regulation 2020/766, recitals 170-172.

⁵² See **Annex 15**, Technical purchase specifications from EU wind producers.

⁵³ See **Annex 7**, GTA.

⁵⁴ See **Annex 7**, prices of roving imported into Turkey from China and Egypt were €791/MT and €614/MT, respectively, in the CPTP. Prices of roving imported into the EU from China and Egypt were €880/MT and €751/MT, respectively, in the CPTP. Therefore, the upstream rovings production units of Chinese and Egyptian GFF suppliers try not only to

68. Considering these factors, it is evident that glass fibre companies in China and Egypt pass on government subsidies through reduced roving prices to Hengshi Turkey for its GFF assembly / completion operations, so that the latter has an unfair competitive advantage vis-à-vis EU producers in their responses to calls for tenders by EU GFF customers.

11. Injury and the undermining of the remedial effect of the AD and AS measures imposed by Regulation 2020/492 and Regulation 2020/776

69. Based on market information, it is the Applicant's understanding that Hengshi Turkey first started to target EU customers in the wind energy sector, which it had supplied in the past from its Chinese and Egyptian sites.⁵⁵

70. This customer group has traditionally sourced the largest homogenous volumes of GFF. Securing (large) contracts with the EU wind energy industry allows Hengshi Turkey to run machines almost non-stop with the same set-up, thereby reducing costs for set-up changes,⁵⁶ and allows Hengshi Turkey to increase export volumes to the EU significantly within an extremely short timeframe.

71. When making imports of GFF from China and Egypt subject to registration, Regulation 2020/44 acknowledged that massive post-OIP increases in GFF imports from the subject countries had caused injury to the EU industry that was difficult to repair without registration. Between March and November 2019, Chinese and Egyptian GFF producers, predominantly the Yuntianhua and the CNBM Groups, had increased their exports to the EU by 41% as compared to 2018. All EU producers suffered massive injury from these predatory practices and one EU GFF producer, Ahlstrom-Munksjö, was forced to divest its GFF production operations.⁵⁷

72. The same process has started now with regard to imports from Hengshi Turkey, which massively undercut the prices of EU producers.

73. Based on offers and other price information which the Applicant has collected via market intelligence, Hengshi Turkey is offering prices to EU customers at levels similar to those found by investigations AD653 and AS656 for EU GFF imports from China and Egypt in CY 2018, i.e. €1,300-€1,600.⁵⁸

74. The Applicant compared those export prices with the prices from EU producers⁵⁹ during the CPTP, and in particular for the period 2020 Q4 to 2021 Q2 when GFF imports from Turkey increased sharply. To ensure a fair comparison, where necessary, prices have been adjusted to

push the EU GFR industry out of the market, but also try to do the same with the EU GFF industry through the LTAR transfer of rovings.

⁵⁵ See **Annex 6**, Market intelligence Hengshi Turkey.

⁵⁶ Machines must be set up before starting a new production order. Different customers have different requirements for GFF in terms of structure, layers, etc. Machine set-ups can take from a couple of hours to two or three days depending on the complexity of the GFF to be produced. Less set-up changes therefore means less downtime and greater productivity.

⁵⁷ See **Annex 16**, Purchase of Ahlstrom-Munksjö by Vitrolan Composites Oy.

⁵⁸ See **Annex 6**, Market intelligence Hengshi Turkey.

⁵⁹ **Annex 17** contains sample invoices of EU GFF producers for sales of GFF to EU customers during CPTP.

landed and EXW levels, respectively, by deducting or adding, as required, value added tax ("VAT"), re-seller/importer mark ups, (inland/ocean) freight and customs handling charges.⁶⁰

75. The undercutting calculations show that Hengshi Turkey prices massively undercut the prices of the EU industry, by up to 48% (see **Annex 18**).

12. Conclusion

76. For the above reasons, the Applicant respectfully requests that the Commission initiate anti-circumvention investigations pursuant to Article 13 of the Basic AD Regulation and Article 23 of the Basic AS Regulation, register imports of the product concerned, and conclude the investigations as swiftly as reasonably possible with the retroactive imposition of measures on circumventing imports of GFF consigned from Turkey, whether originating in Turkey or not.
77. Considering that Hengshi Turkey has received a substantial part of its raw materials from China, that it benefits from Chinese (and Egyptian) subsidies, and that it is a subsidiary of the Chinese State-owned CNBM Group, which has also shipped production equipment from China (and Egypt) to Turkey and provided labour for the circumvention activities of Hengshi Turkey, the Applicant believes it most appropriate for the Commission to extend the AD and AS measures currently in place for imports from China (rather than those in place on imports from Egypt) to EU GFF imports consigned from Turkey.

*The information marked as "Sensitive" is confidential as provided for in Article 19(1) of the Basic AD Regulation and Article 29(1) of the Basic AS Regulation. Its disclosure would be of significant competitive disadvantage to a competitor or would have a significant adverse effect upon the person supplying the information or upon a person from whom he/she has acquired the information or which is provided on a confidential basis by parties to an investigation.

Certification

The undersigned certifies that the information provided in this Request is complete and accurate, to the best of his knowledge, and that he has been authorised to represent the Applicant and the Tech-Fab members supporting the Request.

Raphael Pleynet
TECH-FAB Europe e.V.

⁶⁰ Currency conversions are based on the average monthly exchange rates published by DG Budget and attached as **Annex 12**. Freight costs were obtained from EU producers and are attached as **Annex 13**.