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AE MicroMacro – China

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EU extends anti-dumping duties on Chinese bicycles

What happened. On August 29 European Commission imposed the definitive anti-dumping duties on imports of bicycles originating in the PRC. General duty rate is 48,5% with several companies granted lower or 0% rates. [In 52 pages document](#) European Commission provides detailed explanation of its decision. Current duties are the extension of the previous [anti-dumping measures imposed in 2013](#) (also 48,5% general rate) and the last one [in the long series of the measures imposed since 1993](#). Duties are again extended to imports from Indonesia, Sri Lanka, Tunisia, Cambodia, Pakistan, Philippines as Chinese manufacturers have used the listed countries as channels to circumvent the imposed measures.

Who is who. The [European Bicycles Manufacturer's Association](#) (EBMA) representing more than 45% of the total Union production joined investigation as an applicant. More than 70 EU producers, also including companies associated in Confederation of the European Bicycle Industry (CONEBI) cooperated with EC in the investigation. Relevant Chinese authorities did not cooperate. Only few Chinese manufacturers representing 18% of the Chinese sales to Europe (1% of total estimated Chinese production) participated in the investigation. Chinese manufacturers' interests were represented by the CPC and state controlled China Bicycle Association (CBA) gathering [650 members accounting for 80% of the industry's total annual output](#).

Why it matters. In spite of the previous duties imposed in 2013, the Chinese imports to EU have increased from almost 500 thousand pcs in 2014 to almost 750 thousand in 2018. Increase in volume was accompanied by the increase in the EU market share from 2,6% to 4,1%. EC reports the total bicycles output in China at 80 million units in 2017 while CBA for the first half of 2018 [reported sharp drop in output and sales](#) According to EC



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calculations weighted average capacity utilization rate in China is 68%, which means, that estimated total capacity is around 117 mln bicycles.

This huge spare capacity is more than double the total consumption in the EU (18 mln pcs) and can be directed at the EU market due to:

- higher prices for goods exported to EU than to US and other 124 countries and regions (out of 149) which import Chinese bicycles,
- trade frictions between China and US and [additional 25% duties imposed by the US administration](#) on Chinese bicycles
- need to offset decreasing domestic demand

According to EC there are 400 bicycles manufacturers (producers and tollers) in the EU, who in 2017 employed over 23 600 employees. [EBMA alone claims 90 000 workers and 800 SME](#). EU industry is still fragile and faces major challenges:

- falling profitability and productivity, partially caused by reshoring of manufacturing
- worsening cash flows (due to increased inventories)
- utilization of the recent investments

Unimpeded and unchecked inflow of the dumped Chinese imports would be harmful for industry stability and development.

Big picture. On the grounds of the significant distortions of the Chinese market EC has adopted the representative country methodology (Serbia as a country of choice) for the normal cost calculation. In December 2016 Beijing demanded from the EU and the US [recognition of its status as market economy](#). EU not only refused to do so but also [implemented the new regulations allowing for special treatment of the Chinese imports](#) and issued [special report on the significant distortions in the Chinese economy](#). Beijing challenged new rules and requested the establishment of the WTO panel. [In June the panel was suspended at the China's request](#) as Beijing was unable to prove that China runs the market economy compliant with WTO spirit. Earlier in January [EC imposed anti-dumping and anti-subsidy duties on Chinese electric bicycles](#).



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Why it matters for Poland.

Poland's bicycle industry is growing. There are around [90 manufacturers with 4 500 employee and annual output over 1,2 mln pcs](#) of [various types and applications](#) produced by big players and SME. The majority of bicycles manufactured in Poland is exported. According to Statistic Poland in 2018 Poland exported more than 860 thousand bicycles worth almost 138 mln EUR, 8.8% more in terms of value than in 2017. Export growth rate was however slower while compared to over 20% in 2017. Over 70% of exports go to Germany, with Czech Republic, Sweden, Netherlands and Slovakia among other important markets. [Arkus & Romet belongs to European top manufacturers](#). Allowing the free access of unfair Chinese competition to the EU would have serious impact not only on the domestic sales but mainly on the Polish exports. It could also hamper the growth of the foreign investments. [Portuguese RTE plans to establish in Brześć Kujawski manufacturing facility](#) for delivering bicycles for Decathlon. AG Motors has recently opened [automated factory of aluminium frames near Dębica](#), one of the few such facilities outside China.