APPROVED

By Order of the Director No. 3 of 25 February 2019,

Department for Internal Market Defence

Eurasian Economic Commission

**NOTICE**

**Department for Internal Market Defence**

**of the Eurasian Economic Commission**

**On the Initiation of a special safeguard investigation in respect of microwave ovens imported into the customs territory of the Eurasian Economic Union**

In accordance with the Protocol on the Application of Safeguard, Anti-Dumping and Countervailing Measures to Third Countries (Annex No. 8 to the Treaty on the Eurasian Economic Union of 29 May 2014) (hereinafter, ‘the Protocol’) and with Decision No.1 of the Collegium of the Eurasian Economic Commission of 7 March 2012 ‘On Certain Aspect of the Use of Special Protective, Anti-Dumping and Countervailing Measures on the Single Customs Territory of the Customs Union’, and following the consideration of an application from MIDEA-HORIZONT Joint Limited Liability Company (hereinafter, ‘the Applicant’), the Department for Internal Market Defence of the Eurasian Economic Commission (hereinafter, ‘the Department’) decided to initiate a special safeguard investigation in respect of microwave ovens imported into the customs territory of the Eurasian Economic Union (hereinafter, ‘the EAEU’ or ‘the Union’ and ‘the EAEU CT’, respectively).

In 2015-2018, the Applicant accounted for over 50% of microwave oven production in the EAEU, thus meeting the requirements of paragraphs 187 and 189 of the Protocol.

**1. Goods subject to investigation**

The investigation concerns microwave ovens imported to the EAEU CT. Microwave ovens (hereinafter, ‘the Product’) have code 8516 50 000 0 in the EAEU Commodity Nomenclature of Foreign Economic Activity.

The microwave ovens manufactured in the EAEU are considered by the Applicant as a similar of directly competing product for any microwave ovens imported to the EAEU CT.

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**2. Growing imports and material injury to the economy of the Union Member States, or threat thereof, due to such import increase**

The application provides the following data.

**Growing imports of microwave ovens to the EAEU CT**

The imports of microwave ovens to the EAEU CT grew throughout the period of 2015-2018. In absolute terms, the imports grew by 85.6% over this period; in 2018, it grew by 6.7% vs 2017.

In 2015-2018, imports of microwave ovens to the EAEU CT also grew faster than both the consumption and manufacturing in the Union. The share of imported Products in the overall consumption of microwave ovens on the Union market grew by 14.6% from 2015 to 2018 and by 7.8% in 2018 compared to 2017. The ratio of Products imported to the EAEU CT to the amount of Products manufactured by the Union businesses grew annually between 2015 and 2018 (in 2015, the imports were 1.5 and in in 2018 3 times higher than the local production volume).

**Material injury to the economy of the Union Member States, or threat thereof, due to such import increase**

The volume of locally produced microwave ovens sold on the Union market decreased both in 2015-2018 (by 6%) and in 2018 vs 2017 (by 27.3%).

The share of EAEU-manufactured microwave ovens in the overall consumption of the Union market dropped by 14.6% from 2015 to 2018 and by 7.8% in 2018 vs 2017.

The average weighted prices for imported microwave ovens in 2015-2018 were above the level of average weighted prices for the microwave ovens manufactured by the industry of the EAEU Member States (hereinafter, ‘the EAEU Industry’) and sold on the EAEU market. However, the price gap shrank annually. Overall, the price differential in 2018 was 8% lower than in 2015.

The growth of Product imports, both in absolute and in relative terms, along with the convergence of prices of imported microwave ovens and microwave ovens produced by the EAEU Industry, has negatively impacted the pricing power of the Applicant, undermining its opportunity to raise prices in proportion to the growing costs of production. The annual growth of the production cost of the Product of the EAEU Industry, sold on the EAEU CT, was ahead of the average weighted price growth.

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Between 2015 and 2018, the average weighted cost of production grew by 34.6% in rouble terms, while the prices grew by 28.5%.

As a result, both between 2015 and 2018 and in 2018 vs 2017, the financial performance of the Applicant deteriorated: from 2015 to 2018, the profitability of production and sale of microwave ovens on the Union market dropped by 4.7 and 4.1%, respectively, and in 2018 vs 2017 both indicators went down by 0.4%.

The investments in the manufacturing and marketing of the Products decreased by 29.2% over 2015-2018 and by 54.7% in 2018 yoy.

Moreover, 2018 saw deterioration in the following production and trade indicators vs 2017: the Applicant’s production of microwave ovens dropped by 20.2%; its capacity utilization rate decreased by 17.5%; the number of staff employed in the Applicant’s microwave ovens production was reduced by 12.2%, while the productivity of their labour went down by 9.1%. The share of locally manufactured Products sold on the EAEU CT in the overall EAEU CT consumption decreased by 4.4%.

The application also states that a number of the Union manufacturers have already wound up their operations.

The dynamic of the EAEU Industry’s indicators between 2015 and 2018, especially in 2018 yoy, shows the sensitivity of the EAEU Industry to the growing imports of microwave ovens to the EAEU CT, which is likely inevitable given the diversion of the key operators’ exports from the EU market to the Union market in light of the latter’s greater price appeal, the volatility of the Chinese currency, and the winding up of several EAEU CT manufacturers of the Product.

The EAEU’s leading suppliers of microwave ovens (China and Malaysia), with their well-established sales channels and insight into the operation of the Union microwave oven market, are in a position to quickly increase their supply of microwave ovens to the EAEU CT by diverting additional volumes from the EU market to the EAEU CT.

The attractiveness of the Union market will cause the imports of microwave ovens to the EAEU CT to continue growing at a rate that will lead to more significant replacement of EAEU-manufactures microwave ovens by imported ones on the Union market, which will inevitably further negatively impact the financial and economic parameters of the EAEU Industry.

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**3. Application analysis results**

The information contained in the Application indicates:

- increased imports of microwave ovens to the EAEU CT and

- material injury to the economy of the EAEU Industry, or threat thereof, due to such import increase.

Under p.206 of the Protocol, such information in an application constitutes grounds for initiating a special safeguard investigation.

**4. Stakeholders’ rights and deadlines for their exercise**

The date of the initiation of the investigation is the date when this notice is published on the official web site of the Eurasian Economic Commission.

Within 60 calendar days from the initiation of the investigation, the Department shall accept comments and information relevant to the investigation (in writing, in the Russian language, in confidential and non-confidential versions) from the stakeholders specified in paragraphs 259 and 260 of the Protocol. The guidelines on drafting non-confidential versions of the documents are available on the Eurasian Economic Commission’s official web site at: <http://www.eurasiancommission.org/ru/act/trade/podm/investigations/PublicDocuments/DIMD_guigance_on_the_preparation_on_non-confidential_documents.pdf>.

In order to get access to the non-confidential investigation files, participate in public hearings and talks, the stakeholders shall state their intention to be granted the status of investigation participants, as per paragraph 209 of the Protocol. The Department shall accept participation applications within 25 days from the date of the initiation of the investigation.

Within 45 calendar days from the date of the initiation of the investigation, the participants thereof may request public hearings as envisaged by paragraphs 235-238 of the Protocol.

**5. Confidential information regime**

The Regulation on the Use and Protection of Confidential and Restricted-Use Proprietary Information by the Investigation Authority, approved by Eurasian Economic Commission Collegium Decision No.1 of 7 March 2012, shall apply to any confidential information received by the Department from stakeholders and investigation participants over the course of the investigation.

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**6. Contact details**

Stakeholders shall send any comments and information relevant to the investigation to the following mailing address:

*Department for Internal Market Defence*

*of the Eurasian Economic Commission*

*119121, Russian Federation, Moscow*

*3/5 Smolensky blvd, bldng 1*

For comments and information relevant to the investigation sent Department for Internal Market Defence of the Eurasian Economic Commission **by messenger**, the address is: *Russian Federation, Moscow, 2 Letnikovskaya str, Vivaldi Plaza Business Centre, bld D, tel.: +7(495) 669 24 00, ext. 1272*.

Guidelines on filing documents with the Department for Internal Market Defence of the Eurasian Economic Commission for anti-dumping, Countervailing and Special Safeguard Investigations is available on the web site of the Eurasian Economic Commission at:

<http://www.eurasiancommission.org/ru/act/trade/podm/investigations/SiteAssets/DIMD_submissions_guide.pdf>.

The contact telephone numbers are: +7 (495) 669 24 00 ext. 1316, 4957, and 1272.