

# INDUSTRY POSITION ON THE IMPACT OF POTENTIAL ANTI – DUMPING MEASURES ON GLASS FIBRE PRODUCTS ORIGINATING IN CHINA

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## I. Introduction

The objective of this document is to bring clarification into the purpose and impact of anti-dumping measures on the European Users, to all parties involved in the AD 549 investigation on glass fibre products originating in China.

Since the beginning of the investigation in December 2009, a high number of European users expressed their concern about potential impact duties on glass fibre originating in China on their business and the socio-technological choices which they will be forced to make once these measures will be in place. All users expressed their willingness to cooperate with the investigation officials and to present as clear and as factual as possible the current situation of the composite manufacturing sector.

It is essential to highlight that European composites industry is very fragmented and most companies are small and medium sized (SMEs). Based on this representation many SMEs were unable to comply with the ongoing investigation (e.g. supply information via questionnaires) mostly due to low human and financial capabilities.

### Wide European Representation

This document represents the view of around 10.000 companies in Europe currently active in composite production in over 11 countries across Europe. We are confident that for the purpose of assuring a transparent and accurate picture of the European composite market, the investigators in the anti-dumping process will consider all the views individually expressed by companies, organisations and National Composites Associations.

It is essential for EuCIA, as the European umbrella of the composites industry to stress without a doubt that potential import duties on the European composites industry will be harmful in the short and long term and the overall aim should be protection of the Community interest and the interests of the European users.

## II. Glass fiber is an essential component for the European users

In the manufacturing of composites glass fiber is an essential component used as reinforcement in 90% of all composite production in Europe (Source: German Federation of Reinforced Plastics, AVK). The applications of composites are varied and involve several manufacturing processes. The choice of using composite end-products is mainly due to advanced properties these products have when compared with traditional materials such as steel and aluminum (Fig. 1).

Composite products are low weight, have a specific stiffness, strength, are easily bondable and have a specific energy storage and release. Composites industry is central to the European economy and to meeting demand from a wide range of major industrial sectors such as automotive & transport, building and construction, electrics & electronics, sport & leisure, wind energy and energy conservation. In 2009, the distribution of GFP production in Europe among application industries indicated construction applications covering 36%, transport (32%), sports and leisure (18%), electro/electronic (12%), and others (2%) (Source: AVK).

**Fig.1. Comparative table (Source: French National Composites Association - GPIC)**

	Characteristics	Composites	Aluminum	Steel
Conception	Complex shapes/ flexible design	Yes	Limited	No
	Integration of components	Yes	No	No
	Assembling and joining	Good (adhesive bonding or mechanical)	Average (welding or mechanical)	Average (welding or mechanical)
	Weight saving on structures	Yes	Yes	No
Safety and comfort	Fire resistance	Very good for fire resistant composites	No	No
	Electrical insulation	Yes(avoiding grounding)	No	No
	Thermal insulation	Yes	No	No
	Sound insulation/damping of vibrations	Yes	No	No
In use and lifetime	Mechanical performance/specific weight	Very good	Good	Good
	Corrosion resistance	Yes	Average	No
	Easy maintenance	Yes	Yes	No
	Durability	Very good	Good	Average
	Life cycle cost	Very good	Average	Poor

*\*In fact composites have better fire resistance than metals if structural stability is taken into account.*

### III. Anti-dumping measures will have negative social impacts on the employment and small businesses

The European Composites Industry is mostly represented by small and medium sized companies (SMEs). A high number of companies have a low work force employment, with a few employees in most cases. In Europe, an estimated number of 10.000 companies and 150.000 employees are active in the composites manufacturing process. In Fig.2 an estimated number of companies compared with the EU population, is provided.

In some countries such as the UK, 1.000 composite companies directly involved with manufacturing composites or precursors for advanced composite materials are supported by additional 1.500 companies in terms of services and equipment (Source: National Composites Network (NCN)). Moreover, according to the Danish Wind Industry Association, around 28.400 people are employed in the Danish wind turbine industry, including derived sectors.

Country	Population (mil.)	Companies	Employees
France	64.3	1700	20000
Germany	82	2320	25000
Spain	45.8	1500	25000
Portugal	10.6	400	7820
Italy	60	1500	15100
Denmark	5.5	100	1180
Sweden	9.2	200	2500
UK	61.7	1000	11700
Netherlands	16.4	250	3200
Poland	38.1	500	8300
Romania	21.5	100	1500
Bulgaria	7.6	40	500
Austria	8.3	200	2100
Belgium	10.7	200	Na
Cyprus	0.8	5	Na
Czech Rep.	10.5	150	Na
Estonia	1.3	100	Na
Finland	5.3	120	Na
Greece	11.2	240	Na
Hungary	10	70	Na
Ireland	4.5	50	Na
Latvia	2.3	20	Na
Lithuania	3.3	15	Na
Slovakia	5.4	30	Na
<b>TOTAL</b>	<b>496.3</b>	<b>10.810</b>	<b>123.900</b>

**Fig.2. Companies and employees' representation in the European composites industry (Source: National Composites Associations and EuCIA estimations)**

Potential import duties on glass fiber products will affect the labour productivity and employment in this sector and related industries. The recent global economic recession was harshly felt by the European composites industry and lead to decrease in business confidence and strong reluctance to hire and invest.

A growing unemployment further determined a decrease in consumption, even harsher effects for SMEs, and triggered further unemployment. The results of the first "Craft and SMEs Barometer" released in March 2010 by the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) Study Unit showed a high number of business exits, including a high percentage of bankruptcies. The study also concluded that, business confidence reached a record low in the first semester of 2009, picked up slightly in the second but remaining well below the levels recorded in 2008 and 2007.

According to AVK Composites Market report (2008 – 2009), the demand and production of thermosetting SMC (sheet moulding compound) and BMC (bulk moulding compound) components was determined by the market developments of the main applications automotive and electrical equipment/electronics. Declines in vehicle production by 50% and the truck sector even more lead to a structural realignment of the key players in this market sector. Chopped strands and rovings are widely used in this field.



The most strongly affected were the processors using open procedures of hand laminating and fibre spraying. Some reductions in production of small number of large components (e.g. boat building) were as high as in applications in commercial vehicles. The proportion of these operations in the entire production of composites has fallen from nearly one third to below one quarter.

Additionally, the increase in raw materials prices, the decrease in demand, and decline of GFP production by 23% (2009 compared to 2007), a strong euro and an increase in energy costs continued to negatively balance the activities of the European users causing them serious injuries.

Potential anti-dumping measures will add another burden to the European industry and its employees already faced with a difficult business environment. The average number of employees in companies is between 5-15 employees which means that companies have low capital and unable to have high inventory levels. Our industry fears that import duties will lead to a 2 - 3% unemployment which represents staggering 3.000 – 5.000 employees out of work.

#### **IV. Production and material costs cannot be absorbed by the European industry**

Despite the existing challenges faced by all actors in the value chain, the European composites industry continues to expand and to remain competitive due to the efficiency of users and the quality of products. The European composites industry will be able to further improve on these developments if on short and long terms the costs of production will remain balanced.

Anti-dumping measures on the products under investigation will create an unfair business environment. If import duties are to be applied, the users will register 5 -10% increase in their production costs. The additional cost will not be passed to the suppliers. In some sectors, such as the automotive industry due to the fixed prices, passing on costs is unrealistic and impossible. Most of the SMEs are focused on low number of customers (3-10) and mostly local. Further on, most of their customers are multinational companies operating in the automotive or electric industries. A 12 month pricing fixed for a definite period is normally expected by these companies. Within the value chain, costs will be absorbed by the Union customers - which are not in the Community interest.

High production and material costs will make impossible the shift from traditional materials such as steel and aluminium to composites. Cheaper and less environmentally friendly products will be preferred instead of high quality materials. The results will further on affect long term employment within the sector, derived industries and the competitiveness of the EU.

As an industry with a high growing potential, the European Composites industry needs supportive measures. Anti-dumping measures will unbalance the production costs and ultimately act against the Community interest.

#### **V. Anti-dumping measures will influence the innovation and R&D capabilities in Europe**

The use of composites in various applications increased during last years due to high qualities these materials have. Composites products are contributing towards overcoming EU's challenges on climate change and keeping Europe competitive. Composite users are working closely with renewable and energy industries with the aim of maintaining a sustainable economic growth, increase technology development and provide high quality jobs. The wind turbine industry today comprises the largest market for glass fiber reinforced products and is buying 75% of the total Danish production. For example, in 2008 the wind turbine industry accounted for 7, 2% of the total Danish exports.

While the industries reacting positively to the measures underlined by the 2020 climate & energy package and the Lisbon strategy it is extremely essential that anti-dumping measures and additional costs will not be affect the production process.

The EU leads the wind energy development worldwide but ongoing developments in other regions of the world could challenge this lead. A leading and growing EU industry with contribution of all the actors in the chain cannot be maintained if anti-dumping measures are set in place.

User companies have R&D facilities in Europe. Import duties on the products under investigation will force these companies to relocate outside Europe. Loosing skilled people and R&D capabilities is not in the Community interest.

#### **VI. Import duties will jeopardise the material availability for the European industry**

Anti-dumping measures will affect the prices and material supply required by the European users in the composites manufacturing process. Fiber glass products under investigation are used by companies and purchased from producers outside Europe due to unavailability in the European market and very high quality.

European user companies evaluated the possibility of products replacement/substitution in the composites manufacturing but there are no feasible solutions. Companies will meet high risks in the formulation process and unrealistic timeframe – 1 to 2 years or even more. Additionally, glass fiber products used in various applications are well established in the market due to best performance, high customer and market demand.



## **VII. Effects of potential anti-dumping measures on European composites industry are already happening**

Since the beginning of 2010, the composites market recorded shortages of glass fibre as a result of the economic crisis and reduced production capacities in Europe. This development led to price increase of glass fibre products and future shortages are expected during the following months. Potential anti-dumping measures combined with existing high glass fibre prices and market shortage of glass fibre will be detrimental for the European users and distributors. Small companies will not be able to absorb prices increase and several composite applications will suffer heavy losses. The effects of the market transformations will seriously affect the competitiveness of composites sector.

*This position document is jointly supported by the European Composites Industry Association (EuCIA) and the European Plastics Converters (EuPC)*

### **The European Composites Industry Association (EuCIA) [www.eucia.org](http://www.eucia.org)**

EuCIA is the Brussels based leading Association of the European composites industry, representing European National composite Associations as well as industry specific Sector Groups, such as those targeting end-segments like automotive or those promoting particular product groups or processes. Today EuCIA represents approx. 10.000 companies in 11 countries across Europe, active in the composite industry. In 2007 EuCIA became a Sector Group of the European Plastic Converters (EuPC). Through its Members EuCIA is promoting a good trading environment in a continuously expanding European composites network.

### **The European Plastics Converters (EuPC) [www.plasticsconverters.eu](http://www.plasticsconverters.eu)**

EuPC is the leading EU-level Trade Association, based in Brussels, representing European Plastics Converters. Its powerful European Plastics Network exists to support the beneficial use of plastics worldwide, especially providing plastics converting companies with a voice in European legislation. EuPC now totals about 51 European Plastics Converting national and European industry associations, it represents close to 50,000 companies, producing over 45 million tonnes of plastic products every year.