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By TRS

**NON-CONFIDENTIAL**

Dear Mr Reith, dear Case Team,

**Re: TD0035 and TS0036 – Certain tyres (China) – Request to exclude multi-life tyres from the product scope**

**Our client: Hankook Group (Chongqing Hankook Tire Co. Ltd., Jiangsu Hankook Tire Co. Ltd., Hankook Tyre UK Ltd. and Shanghai Hankook Tire Co., Ltd.)**

This letter is filed on behalf of Chongqing Hankook Tire Co. Ltd., Jiangsu Hankook Tire Co. Ltd., Hankook Tyre UK Ltd, and Shanghai Hankook Tire Co., Ltd. (collectively referred to as **Hankook**) in the framework of the above-mentioned transition reviews initiated by the TRA (the **Investigations**) and integrates the claims contained in the pre-sampling questionnaire responses submitted in the context of the Investigations.

By this letter, Hankook respectfully requests the Trade Remedies Authority (the **TRA**) to exclude multi-life tyres, as defined below, from the scope of the Investigations.

### 1. THE APPLICANT

Hankook is a world-renowned Korean namesake corporate group active in the production and commercialisation of tyres. Hankook produces 102 million multi-life tyres per year and supplies them to 160 countries throughout the world, including the United Kingdom (the **UK**). It employs over 20,000 workers at its premises and factories located around the world.

### 2. THE UK TYRE MARKET

In order to help the TRA to comprehensively assess this request, it is useful to provide at the outset an overview of the types of tyres that are currently manufactured and/or marketed in the UK.

As will be detailed in the Sections below, the UK tyre market can be segmented on the basis of brand name, sales price, market perception and positioning. As a matter of fact, certain brands producing multi-life tyres are perceived by consumers as ‘premium brands’ while others are perceived as ‘non-premium brands’. Multi-life tyres manufactured and marketed by premium brands are generally more expensive than single-life tyres manufactured by non-premium, low-price, brands. The reason for this lies in the fact that, unlike non-premium brands, premium brands usually have a long history in the tyre market, use high-quality rubber in the production process of the tyres and comply with performance and safety standards that are constantly rising.

#### 2.1 Multi-life tyres vs single-life tyres

The UK tyre market is segmented in two main segments for which the dividing factors are brands and prices. The first segment is called **multi-life tyres**. The second segment is called **single-life tyres**.

##### 2.1.1 Multi-life tyres

Multi-life tyres are tyres of the highest quality. As they are the flagship products of their manufacturers, brand is particularly relevant for multi-life tyres, leading to higher prices. Original equipment (**OE**) tyres of buses and lorries are normally multi-life tyres manufactured by premium brands.

High quality is the defining characteristic of multi-life tyres — multi-life tyres are not only associated with a higher level of safety but are typified by a much greater mileage performance and lifespan by comparison with their single-life counterparts. Indeed, the multi-life tyres have an average lifespan of 660,000 Km (at least two retreadings when the tyre is subject to normal use). In contrast, low quality single-life tires exhibit significantly shorter lifespans. Production of multi-life tyres thus entails higher costs and, consequently, higher prices.

Well-known brands such as Bridgestone, Continental, Goodyear, Hankook, Michelin and Pirelli can be included in the multi-life tyres segment of the UK market.

**2.1.2 Single-life tyres**

By comparison with multi-life tyres, the quality of single-life tyres is lower, marked by a very limited retreadability (if any) and a correspondingly shorter lifespan.

Brand recognition is almost non-existent with respect to single-life tyres and, accordingly, price becomes the determining factor in a customer’s decision to opt for a single-life tyre.

**2.1.3 Tyres included in the product scope of the Investigations**

The product subject to the Investigations is described in the corresponding Notices of Initiation as “[c]ertain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries, with a load index exceeding 121” (the **Product under investigation**). The commodity codes applicable to the Product under investigation are 40 11 20 90 00 and 40 12 12 00 10. Both multi-life and single-life tyres are classified under the above-mentioned commodity codes and, therefore, included in the product scope of the Investigations.

For completeness’ sake, it should be noted that the definition of the Product under investigation also includes retreaded tyres. These are tyres that are manufactured by means of a completely different production process through which a used tyre casing is refurbished in order to create a newly usable tyre.<sup>1</sup> Although some retreaded tyres might be further retreaded, overall, the quality of these tyres is not as high as (new) multi-life tyres, and this feature is reflected in a price that is more comparable to (new) single-life than multi-life tyres.<sup>2</sup> Accordingly, for the purposes of this request, retreaded tyres are included in the single-life tyres segment.

**2.2 Multi-life and single-life tyres marketed in the UK**

The different brands sold on the UK market can be grouped as shown in **Table 1** below:

**Table 1 – Segmentation of the UK tyre market by brand**

	<i>New tyres</i>	<i>Retreaded tyres</i>

<sup>1</sup> Retreading is the process of extending the life of used tyres by applying a new tread (rubber), provided that the casing (structure) is still in acceptable condition. In detail, it consists of the following operations: (i) initial inspection (this step ensures that only suitable tyres undergo the process; the inspection includes both visual and non-visual tests); (ii) buffing (i.e., removal of the unnecessary tread or sidewall rubber from the casing: this is done based on the specifications of the desired output); (iii) inspection and preparation (e.g., brushing of the casing, followed by spraying with a water-based latex adhesive); (iv) building (i.e., application of the new tread material); (v) curing; and (vi) final inspection.

<sup>2</sup> See Commission’s note for the file of 26 October 2017 (t17.012836), where the complaining EU industry classified retreaded tyres in single-life tiers.

<b>Premium brands manufacturing multi-life tyres</b>	Bridgestone, Continental, Goodyear, Hankook, Michelin, Pirelli	N/A
<b>Non-premium brands manufacturing single-life tyres<sup>3</sup></b>	Aeolus, Apollo, Avon, BFGoodrich, Cooper, Firestone, Fulda, Formula, Giti, Kenda, Kormoran, Mitas, Nordman Semperit, Sava, Taurus, Uniroyal, Yokohama, Athos Autogrip, Aurora, Barum Dayton, Double Coin, Debica, Double Star Evergreen, Fullrun, Goodride, Jinyu, Kelly, Leao, Matador, Ovation, Primewell, Riken, Roadwing, Tigar, Toledo, Torque, Triangle, Westlake	Bandag, ContiRe, Michelin Remix, Goodyear (recure, UniCircle), Pirelli R, Vaculug, Treadmax, Bandag, ContiTread, Encore, Kraiburg, Laurent Retread, Newlife, Recamic, Ringtread, PRL, Unitread, NexTread

**2.3 Price comparison**

The analysis of average sales prices confirms the existence of two separate segments in the UK tyre market. Available data shows that single-life tyres in the UK are typically priced at around 76% the price of multi-life tyres, as can be seen in **Table 2** below.

**Table 2 – Average prices of multi-life and single-life tyres in the UK market<sup>4</sup>**

<b>Product Type (by Tyre Size)</b>	<b>Average Price (multi-life tyres)</b>	<b>Average Price (single-life tyres)</b>	<b>Average Difference in Price</b>
385/65R22.5	£849.08	£641.88	-24%
295/80R22.5	£874.92	£633.90	-28%
315/70R22.5	£847.83	£630.50	-26%

<sup>3</sup> It should be noted that some brands, such as Michelin, Goodyear and Pirelli, manufacture in the UK and market retreaded tyres under different brand names (e.g., Michelin Remix, Pirelli R, etc). These sub-brands are perceived by consumers as non-premium brands as the price of the tyres they offer is significantly lower than the price of the multi-life tyres manufactured by the same manufactures and marketed under premium brand names.

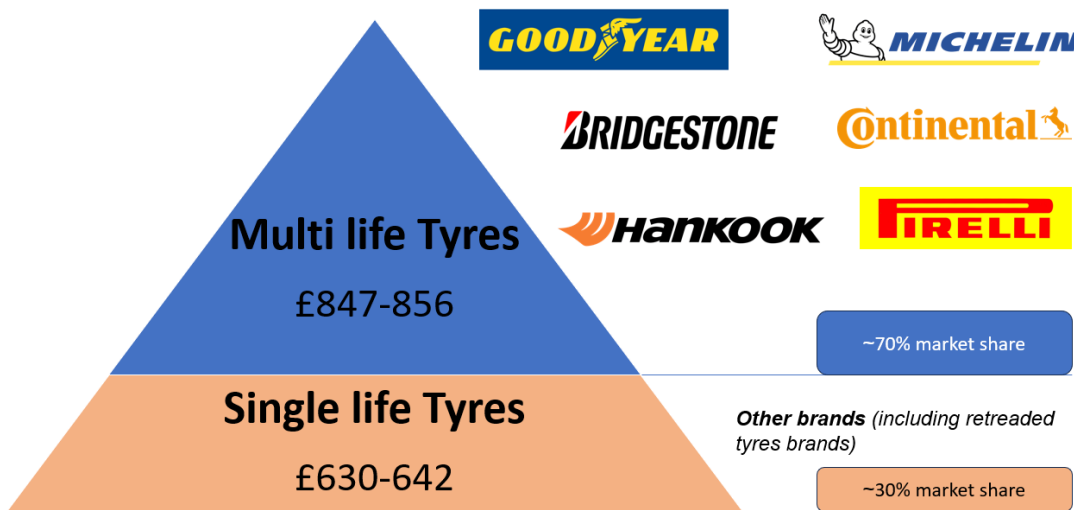
<sup>4</sup> Information based on a search conducted on UK tyre price comparison site tyrecomp.co.uk (2 August 2023) for average prices of four tyre sizes featuring in a large proportion of UK retreading activity. Multi-life tyres considered in the assessment were made by the following premium brands: Bridgestone, Continental, Goodyear, Hankook, Michelin and Pirelli.

315/80R22.5	£856.92	£642.19	-25%
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**2.4 Conclusion: segmentation of the UK tyre market**

In light of the above considerations and data, the UK tyre market can be divided into two main segments, in which multi-life tyres produced by premium brands and single-life tyres produced by non-premium brands are positioned in relation to a price range as follows:

**Figure 1 – UK tyre market segments**



In this regard, it should be recalled *ad abundantiam* that a similar segmentation of the market based on brands and prices was also identified by the European Commission (**Commission**) during the anti-dumping investigation leading to the adoption of the original anti-dumping measures currently applied in the UK.<sup>5</sup> On that occasion, the Commission identified different categories of tyres. In particular, it distinguished the multi-life tyres linked to premium brands, entailing higher performances and commanding higher prices, from those with lower quality and prices.

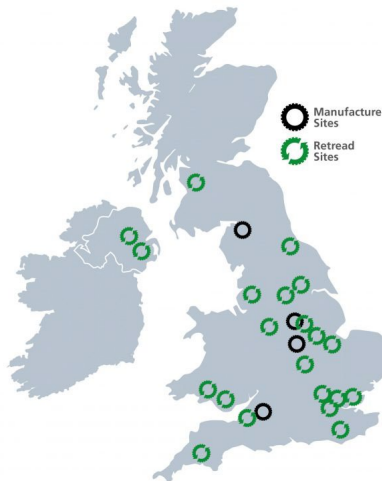
**3. THERE IS NO PRODUCTION OF NEW TYRES IN THE UK**

The UK industry does not manufacture the whole range of tyres falling under the definition of the Product under investigation. As can be seen from **Figure 2** below, tyre manufacturing in the UK is almost exclusively

<sup>5</sup> See Commission Regulation (EU) 2018/683, OJ L 116, 7.5.2018, p. 8, recitals 54-59, confirmed by Commission Implementing Regulation (EU) 2018/1579, OJ L 263, 22.10.2018, p. 3.

focused on retreading. Retreaded tyre manufacturers in the UK are either integrated manufacturers (i.e., economic operators with worldwide multi-life tyre production facilities, plus a retreading plant in the UK using the same brand and/or name as the multi-life products) or independent retreaders (usually, SMEs).

**Figure 2 – Tyre manufacturing sites in the UK**



Source: British Tyre Manufacturing Association ([here](#))

Furthermore, as can also be seen in Figure 2 above, manufacturing of new tyres is much more limited in the UK and, where it does take place, is confined to the production of tyres that are outside the scope of the Investigation.

Details on the four manufacturing plants in the UK are available in *Tire Business*, issue of 19 December 2022 (reproduced below in **Figure 3**).

**Figure 3 – Excerpts from *Tire Business*, issue of 19 December 2022, pp. 25-26**

UNITED KINGDOM					
<b>Cooper Tire &amp; Rubber Co. Europe Ltd.</b> (Goodyear Tire & Rubber Co.)					
Melksham, England	1885	AT,1AT	400u	5,9 (r,b)	6,350 u/d
<b>Explanation of abbreviations</b> TIRE TYPES: 1–Auto; 2–Light Truck; 3–Truck/bus; 4–Agricultural; 5–Motorcycle; 6–Earthmover/OTR; 7–Industrial; 8–Aircraft; 9–Racing TIRE CONSTRUCTION: r–Radial; b–Bias-ply PLANT CAPACITIES: u/d–Units per day; u/y–Units per year; t/y–Tons per year Names in parentheses following company names indicate the parent company.					

Company/ plant location	Year opened	DOT code(s)	Employees (u=unionized)	Tire types*	Estimated capacity*
<b>Dunlop Aircraft Tyres Ltd.</b>					
Birmingham, England	1910		290u	8 (r,b)	110,000 u/y
<b>Pirelli Ltd.</b> (Pirelli & C. S.p.A.)					
Burton-on-Trent, England	1969	XP,1XP	400	1 (r)	200,000 u/y
Carlisle, England	1969	XN,1XN	900u	1 (r)	3.0 mil u/y

As can be seen from the excerpts above (Figure 3), the four manufacturing plants located in the UK are involved in the production of tyre categories falling outside the scope of the Investigations (namely, auto, motorcycle, aircraft, and racing).

Based on the above, it can be concluded that **there is no UK production of new tyres falling within the definition of the Product under investigation**. This is a crucial circumstance that cannot be ignored by the TRA when assessing this request.

#### **4. THE EXCLUSION OF MULTI-LIFE TYRES FROM THE SCOPE OF THE PRODUCT UNDER INVESTIGATION IS IN THE ECONOMIC INTEREST OF THE UK**

Against the background detailed above in Sections 2 and 3, Hankook claims that several elements lead to the conclusion that there is no UK economic interest in the continued imposition of measures against imports of multi-life tyres and that, for this reason, multi-life tyres should be excluded from the scope of the Product under investigation.

##### **4.1 General**

At the outset, it is useful to recall that, pursuant to paragraph 25(4) of Schedule 4 of the Taxation (Cross-border Trade) Act 2018, “[w]hen considering whether the application of an anti-dumping remedy or anti-[subsidy] remedy is not in the economic interest of the United Kingdom, the TRA or the Secretary of State must:

- a. *take account of the following so far as relevant*
  - i. *the injury caused by the dumping of the goods, or the importation of the subsidised goods, to a UK industry in the goods and the benefits to that UK industry in removing that injury,*
  - ii. *the economic significance of affected industries and consumers in the United Kingdom,*
  - iii. *the likely impact on affected industries and consumers in the United Kingdom,*
  - iv. *the likely impact on particular geographic areas, or particular groups, in the United Kingdom, and*
  - v. *the likely consequences for the competitive environment, and for the structure of markets for goods, in the United Kingdom, and*
- b. *take account of such other matters as the TRA or, as the case may be, the Secretary of State considers relevant”.*

As outlined in Hankook’s pre-sampling questionnaire response and detailed below, the characteristics of the competition conditions within the UK market clearly mandate for the TRA and/or the Secretary of State

to conclude that there is no economic interest for the UK to maintain anti-dumping or countervailing duties in relation to imports of multi-life tyres.

Considering the structure of the UK market and its segmentation, it is clear that anti-dumping and anti-subsidy measures should only target imports of cheap single-life tyres as only these products are in competition with the tyres manufactured by the UK industry and are therefore capable of causing injury to such industry.

#### **4.2 Imports of multi-life tyres are not in competition with retreaded tyres produced in the UK, thus they cannot cause any injury to the UK industry**

As shown in Section 3 above, the UK industry does not produce multi-life tyres. This means that, in order to meet the demand of users, multi-life tyres should be imported into the UK. The absence of production of multi-life tyres in the UK also means that imported multi-life tyres are not in competition with tyres manufactured in the UK, which as seen above are retreaded tyres.

Bearing in mind the segmentation of the UK market depicted in Section 2.4, Hankook notes that retreaded tyres manufactured in the UK are in competition with imported single-life tyres only. These two types of tyres are in fact included in the same market segment, as shown in Figure 1 above. Only imports of single-life tyres can therefore have an impact on the economic situation of the UK industry.

The above conclusion is confirmed by the British Tyre Manufacturers' Association (the **BTMA**). On its own website, the BTMA indicates that "*in the last decade the market share of retreaded truck tyres [in the UK, author's note] had declined by over 30% under pressure from short-lived single-life tyres from low-cost countries*" (emphasis added).<sup>6</sup> The UK industry itself thus acknowledges that only single-life tyres are able to exert competitive pressure on the UK market.

Against this backdrop, Hankook claims that no measures should be transitioned against imports of multi-life tyres originating in China. Hankook believes that the imposition of measures on multi-life tyres, which are not manufactured in the UK, would be unwarranted as it would have the only effect to limit the availability of these multi-life products in the UK. On the other hand, the exclusion of multi-life tyres from the scope of the measures would not jeopardise the object and purpose of the anti-dumping and anti-subsidy measures to protect the UK tyre industry, since — as explained above — imported multi-life tyres are not in competition with retreaded tyres manufactured by the UK industry.

In view of the above, and bearing in mind the economic interest test envisaged by paragraph 25 of Schedule 4 of the Taxation (Cross-border Trade) Act 2018 (in particular sub-paragraphs 4(a)(i) and (ii)), Hankook claims that the application of transitioned duties on imports of multi-life tyres originating in China would be unwarranted since:

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<sup>6</sup> See <https://btmauk.com/policy-positions/truck-tyre-retreading/> (accessed 20 June 2023).

- there is no injury caused by the importation of multi-life tyres from China to the UK tyre industry, which produces single-life retreaded tyres only;
- there would be no negative impact on the UK tyre industry or consumers in the UK should duties be terminated against imports of multi-life tyres; and,
- there would be no negative consequences for the competitive environment and/or the structure of the tyre market in the UK should measures be terminated against imports of multi-life tyres.

**4.3 Anti-dumping and anti-subsidy duties on imports of multi-life tyres from China would have a negative impact on both the UK industry and UK consumers**

Without prejudice to the arguments in Section 4.2, Hankook wishes to draw the attention of the TRA to another element showing that the continued imposition of anti-dumping and/or countervailing duties on imports of multi-life tyres originating in China would be contrary to the UK economic interest.

As the UK tyre industry is exclusively active in the manufacturing of retreaded tyres, the business and profitability of the UK retreading industry are heavily dependent on the supply of the retreading material, i.e., used tyre casings. To produce a good retreaded tyre, it is essential that the worn casing of a tyre has a good structural quality and is designed to be retreaded at least once after its first run.

Since multi-life tyres are of higher quality and designed to be retreaded multiple times, it goes without saying that these tyres, once worn out, are the key raw materials for the UK retreading industry. Indeed, as noted above, the casing of multi-life tyres has sufficiently high quality to ensure retreadability.

This is confirmed by **[CONFIDENTIAL – Commercially sensitive information]**

In view of the above, used multi-life tyre casings represent an essential raw material for the UK industry. Accordingly, UK producers need access to stable and reliable sources of supply of this material. Since UK producers of retreaded tyres usually purchase used tyre casings on the UK market, to satisfy their need it is important that sufficient quantities of exhausted multi-life tyres are continuously available in the UK. In a market where new multi-life tyres are not produced domestically, this means that unrestricted access to imports of new multi-life tyres — that, once used, become used tyre casings — is a critical factor in ensuring stable supplies for the UK industry.

It follows that the continuation of measures on imports of multi-life tyres from China would have a negative effect on the availability of this product in the UK market (a product which is crucial for both UK producers of retreaded tyres as used multi-life tyre casings represent an essential raw material for them and UK consumers). At the same time, transitioned measures against imports of multi-life tyres would not bring any benefit to the UK industry, which exclusively manufactures retreaded tyres.

In addition, anti-dumping and anti-subsidy duties on multi-life tyres would indirectly prevent UK consumers from having access to reasonably priced retreaded tyres manufactured in the UK. In this respect, the

following should be noted. Since, as explained, the manufacturing of retreaded tyres largely depends on the availability of used multi-life tyre casings, any increase in the price of multi-life tyres imported in the UK would indirectly affect the price and availability of used tyre casings on the UK market and, in turn, the price and availability of retreaded tyres made in the UK. In other words, any increase in the price of multi-life tyres imported from China would indirectly affect the price and availability of retreaded tyres in the UK market, to the detriment of both the UK industry and UK consumers.

Bearing the above in mind, Hankook claims that, as far as multi-life tyres are concerned, the economic interest test envisaged by UK law would also not be met in respect of paragraph 25(4)(a)(iii) of Schedule 4 of the Taxation (Cross-border Trade) Act 2018, considering the negative impact of the measures on the tyre industry and consumers in the UK.

#### **4.4 Conclusion: there is no UK economic interest in imposing measures on imports of multi-life tyres**

A careful assessment of the UK economic interest in relation to the application of the measures at issue to multi-life tyres supports the view that these products should be excluded from the scope of the Investigations.

The essentiality of allowing the UK market to access adequate volumes of multi-life tyres imported from China is even more important if one considers that, as reported by the BTMA, the UK government “*has recognised the importance of retreading to the circular economy and the obstacles to its potential future growth*”.<sup>7</sup> Therefore, there is a clear UK economic interest (also in light of paragraphs 25(4)(a)(v) and (4)(b) of Schedule 4 of the Taxation (Cross-border Trade) Act 2018) to avoid any restrictions on inputs for the retreading industry as these will not only affect its business and competitive position vis-à-vis imported single-life tyres, but will also have a negative impact on the environment.

Put differently, there is no UK economic interest within the meaning of the applicable UK legislation in limiting access to multi-life tyres as this might significantly prejudice the UK industry.

### **5. IN THE ALTERNATIVE: A VARIABLE DUTY (ENFORCING AN MIP) WOULD BE THE MOST APPROPRIATE FORM OF MEASURE**

Given the features of the UK industry described above in Sections 2-4, fair anti-dumping and anti-subsidy measures should target primarily — if not exclusively — imports of cheap single-life tyres. Indeed, only imports of single-life tyres are in competition with retreaded tyres manufactured by the UK industry and therefore are capable of causing injury to the UK industry. To paraphrase the BTMA, the UK industry only needs to be protected against the pressure from cheap single-life tyres from low-cost countries, and not from the imports of the more expensive (multi-life) multi-life tyres.

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<sup>7</sup> See <https://btmauk.com/policy-positions/truck-tyre-retreading/> (accessed 20 June 2023).

Bearing the above in mind, Hankook requests that, should its request for the exclusion of multi-life tyres be rejected, the TRA considers adopting a variable duty enforcing a minimum import price (**MIP**) as this is the most appropriate and fair form of measure. An MIP would indeed ensure that prices of single-life tyres originating in China would be brought to a non-injurious level, thereby avoiding any adverse effects on the prices of the UK industry. Importantly, an MIP would also bring the benefit of preventing any potential risks of absorption of duties by Chinese exporters of single-life tyres.

At the same time, a variable duty enforcing an MIP would ensure that more expensive multi-life tyres originating in China — which, as seen, are needed since these products are not manufactured in the UK and, after their first use, constitute an essential raw material for the UK retreading industry — may be imported with a lower duty burden (as their prices are historically much higher). It would also avoid hindering, if not stopping, imports of multi-life tyres, with a resulting benefit for the UK retreading industry and UK consumers, which both need — for different reasons — adequate volumes of multi-life tyres to enter the UK market.

**6. CONCLUSION**

In the light of the foregoing, Hankook respectfully requests the TRA to exclude multi-life tyres from the product scope of the Investigations. As a subordinate ground, should this request for exclusion be rejected, Hankook requests the TRA to consider changing the form of the measures to a variable duty enforcing an MIP to be determined after further discussion with Hankook.

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Hankook reserves its right to submit further comments on the product scope of the Investigations at a later stage.

Kind regards.

Gabriele Coppo

Aldo Scalini

Giovanni Pregno

Eamonn Arbuckle

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