COMMISSION IMPLEMENTING REGULATION (EU) 2025/291

of 13 February 2025

imposing a provisional anti-dumping duty on imports of decor paper originating in the People's Republic of China

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 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 [1] ('the basic Regulation'), and in particular Article 7 thereof,

After consulting the Member States,

Whereas:

1. PROCEDURE

1.1. Initiation

(1) On 14 June 2024, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of decor paper originating in the People's Republic of China ('PRC' or 'the country concerned') on the basis of Article 5 of the basic Regulation. It published a Notice of Initiation in the *Official Journal of the European Union* [2] ('the Notice of Initiation').

(2) The Commission initiated the investigation following a complaint lodged on 2 May 2024 by four Union producers of decor paper ('the complainants'). The complaint was made by the Union industry of decor paper in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

1.2. Registration

(3) The Commission made imports of the product concerned subject to registration by Commission Implementing Regulation (EU) 2024/2718 ('the registration Regulation') [3].

1.3. Interested parties

(4) In the Notice of Initiation, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the complainants, other known Union producers, the known exporting producers, and the Chinese authorities, known importers, suppliers and users, traders, as well as associations known to be concerned about the initiation of the investigation and invited them to participate.

(5) Interested parties had an opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

(6) Hearings took place with the complainants (Felix Schoeller, Koehler Paper, Malta Decor & Munksjö Paper), LamiGraf S.A. and Interprint GmbH.

[1] OJ L 176, 30.6.2016, p. 21, ELI: http://data.europa.eu/eli/reg/2016/1036/oj.

[2] Notice of initiation of an anti-dumping proceeding concerning imports of decor paper originating in the People's Republic of China (OJ C, C/2024/3695, 14.6.2024, ELI: http://data.europa.eu/eli/C/2024/3695/oj).

[3] Commission Implementing Regulation (EU) 2024/2718 of 24 October 2024 making imports of decor paper originating in the People's Republic of China subject to registration (OJ L, 2024/2718, 25.10.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/2718/oj).

1.4. **Comments on initiation**

(7) The China National Forest Products Industry Association (CNFPIA) LamiGraf S.A., Kastomonu Italia S.p.a., Kastamonu Romania S.A., and Kastamonu Bulgaria AD (herein referred as the 'Kastamonu Group') and Marburger Tapetenfabrik, submitted comments on initiation. These concerned the standing of the complainants, the application of Article 2(6a) of the basic Regulation and evidence of significant distortions, the choice of representative country in the complaint, raw material distortions, the injury indicators, causation, and the Union interest. All those comments are addressed below in the relevant sections of this Regulation.

(8) After initiation, the CNFPIA submitted that Felix Schoeller and Munksjö, two of the four complainants, were related to Chinese companies, and that one of the two also had imports from China from their related company. The CNFPIA argued that, based on the provisions of Article 4(1) of the basic Regulation, the two companies should thus have been excluded from the Union industry. In light of this, the CNFPIA added that the standing requirements set out in Article 5(4) of the basic Regulation might not be met.

(9) According to the wording of Article 4(1)(i), as confirmed by the Court of Justice, it is for the Commission, in the exercise of its discretion, to determine whether it should exclude from the 'Union industry' producers which are related to exporters or importers or are themselves importers of the dumped product. The discretion must be exercised on a case-by-case basis, by reference to all the relevant facts. ([4]) Given that both related companies in the PRC mostly served their domestic market, and that quantities imported by the Union producers from their related companies in the PRC, if any, were negligible, the Commission considered that the exclusion of Felix Schoeller and Munksjö from the definition of the Union industry was unwarranted. Therefore, these claims were dismissed.

(10) The CNFPIA submitted that the conditions set out in Article 3 of the basic Regulation for the determination of injury had not been met, arguing that during the period considered, there was no evidence of material injury to the Union industry.

(11) The Commission recalled that in accordance with Article 5(3) of the basic Regulation, an investigation shall be initiated where the complaint contains sufficient evidence to justify the initiation of an investigation. In the complaint, the complainant argued that dumped imports of decor paper from the PRC have caused material injury to the Union industry. To support its argument, the complainant used Thailand as representative country to calculate a weighted average dumping margin in the range of [35-45 %], and analysed the Union industry consumption, profitability, sales and market share, production volume and production cost. The Commission considered that these were relevant elements for its assessment of the merits of the file, and that together with other information provided by the complainant, constituted sufficient evidence, meeting the requirements of Article 5(3) for the initiation of the investigation. Therefore, the claim by the CNFPIA was rejected.

(12) LamiGraf submitted similar arguments on the injury trends, arguing that broader economic factors, such as the COVID-19 pandemic, geopolitical instability and energy crisis significantly impacted the industry's financial performance, and thus injury could not have been mainly attributed to Chinese imports. LamiGraf added that the fluctuations in Union consumption can be attributed to the pandemic-led 'stay-at-home' economy followed by a market correction, and cannot be attributed to Chinese imports, and that overall sales and export sales of the complainants have been severely affected by the sanctions against Russia. The conditions in 2021 led to a growth in decor paper demand, which entailed diversification resulting in a rise in imports from China. The competitiveness of Chinese prices stems from the use of cost-efficient equipment, contrary to the complaining producers. Yet, at the same time, LamiGraf submitted that the heavy investments undertaken by the complainants do not indicate material injury.

([4]) Judgment of 14 March 1990, *Gestetner Holdings plc* v *Council and Commission of the European Communities*, C-156/87, ECLI:EU:C:1990:116, para. 43.

(13) The Commission considered that the complaint contained sufficient evidence of injury caused by dumped imports from China, including assessments of the effects of the COVID-19 pandemic on Union consumption, the impact of the energy crisis and the rising cost of raw materials, as well as Russia's invasion of Ukraine and subsequent trade sanctions. Therefore, these claims were rejected.

1.5. **Sampling**

(14) In the Notice of Initiation, the Commission stated that it might sample the interested parties in accordance with Article 17 of the basic Regulation.

Sampling of Union producers

(15) In the Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. The Commission selected the sample on the basis of volume of production and sales of the like product in the EU between 1 April 2023 to 31 March 2024 and the geographic location. This sample consisted of three Union producers. The sampled Union producers accounted for 60 % of the estimated total volume of production and 61 % of sales of the like product in the Union. The Commission invited interested parties to comment on the provisional sample. No comments on the provisional sample were received. The sample was considered representative of the Union industry.

Sampling of unrelated importers

(16) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation.

(17) Two unrelated importers provided the requested information and agreed to be included in the sample. In view of the low number of replies, the Commission decided that sampling was not necessary.

Sampling of exporting producers in the PRC

(18) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in the PRC to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the PRC to the EU to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.

(19) Five exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of two on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned, and the authorities of the country concerned were consulted on the selection of the sample. No comments were received.

1.6. **Questionnaire replies and verification visits**

(20) The Commission sent a questionnaire concerning the existence of significant distortions in the PRC within the meaning of Article 2(6a)(b) of the basic Regulation to the Government of the People's Republic of China ('GOC').

(21) Furthermore, the complainant provided in the complaint sufficient prima facie evidence of raw material distortions in the PRC regarding the product concerned. Therefore, as announced in the Notice of Initiation, the investigation covered those raw material distortions to determine whether to apply the provisions of Article 7(2a) and 7(2b) of the basic Regulation with regard to the PRC. For this reason, the Commission sent an additional questionnaire in this regard to the GOC.

(22) The Commission sent questionnaires to the sampled Union producers, the sampled exporting producers in China, the known importers and users. The same questionnaires were made available online ([5]) on the day of initiation.

(23) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Verification visits pursuant to Article 16 of the basic Regulation were carried out at the premises of the following companies:

Union producers

— Felix Schoeller GmbH & Co. Kg, Osnabrück, Germany;

— Malta Decor Sp. z o.o., Poznań, Poland;

— Munksjö Tolosa S.A.U., Berastegi, Spain.

Users

— LamiGraf S.A., Barcelona, Spain;

— Interprint GmbH, Arnsberg, Germany.

Exporting producers in the PRC

— Hangzhou Huawang New Material Technology Co. Ltd (HUAWANG)

— Kingdecor Zhejiang Co. Ltd., (KINGDECOR)

1.7. Investigation period and period considered

(24) The investigation of dumping and injury covered the period from 1 April 2023 to 31 March 2024 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2020 to the end of the investigation period ('the period considered').

2. PRODUCT UNDER INVESTIGATION, PRODUCT CONCERNED AND LIKE PRODUCT

2.1. Product under investigation

(25) The product under investigation is decor paper with the following characteristics:

— weighing 30-150 g/m^2; having an ash content between 5 % and 50 %;

— having a Klemm absorbency of at least 12 millimetres per 10 minutes or a resin pick-up of 20 % to 200 %;

— having a wet tensile strength of 6 to 12 Newton (N) per 15 millimetres;

— having a Gurley porosity of 3 to 80 seconds per 100 millilitres;

— having a smoothness of 20 to 300 according to the Bekk method;

— in reels with a width up to 300 centimetres;

— whether or not pre-impregnated with a combination of latices or natural binders (like starch);

— excluding wallpaper and similar wallcoverings;

— excluding papers saturated with water-based melamine, urea, phenol or any thermosetting, thermoplastic resin solutions ('the product under investigation').

([5]) https://tron.trade.ec.europa.eu/investigations/case-history?caseId=2734.

(26) There are five main product types, based on physical characteristics: print-base decor paper, uni-colour paper, backer paper, foil base paper and pre-impregnated decor paper.

— Print-base decor paper is base-paper for printing sold to printers and specifically designed to be printed with different designs (e.g. wood, grain, marble);

— Uni-colour paper is a single-colour, colour-saturated decor paper. It is characterised by its aptitude for penetration and impregnation processes. The colour is incorporated at the papermaking stage;

— Backer paper is characterised by particular impregnation and tensile strength qualities. It is applied to the back of the substrate to prevent deformation during the lamination process;

— Foil base paper is a type of decor paper that is used as base paper to produce finish foil, i.e. paper layers with a lacquer-coated surface that are coloured or printed on; and

— Pre-impregnated decor paper ('PRIP') is decor paper that has already been impregnated with resin in the paper mill by means of a size press.

(27) Decor paper is used as a surface material for decorative applications. Decor paper's end use is mainly in the furniture, interior-design and construction and renovation industries as a laminate on a backing material.

2.2. **Product concerned**

(28) The product concerned is decor paper originating in the People's Republic of China, currently falling under CN codes ex 4802 54 00, ex 4802 55, ex 4805 91 00 and ex 4811 60 00 (TARIC codes 4802 54 00 10, 4802 55 15 10, 4802 55 25 10, 4802 55 30 10, 4802 55 90 10, 4805 91 00 10, and 4811 60 00 10) ('the product under investigation').

2.3. **Like product**

(29) The investigation showed that the following products have the same basic physical, chemical and technical characteristics as well as the same basic uses:

— the product concerned when exported to the Union;

— the product under investigation produced and sold on the domestic market of the PRC; and

— the product under investigation produced and sold in the Union by the Union industry.

(30) The Commission decided at this stage that those products are therefore like products within the meaning of Article 1(4) of the basic Regulation.

3. **DUMPING**

3.1. **Procedure for the determination of the normal value under Article 2(6a) of the basic Regulation**

(31) In view of the sufficient evidence available at the initiation of the investigation pointing to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation with regard to the PRC, the Commission considered it appropriate to initiate the investigation with regard to the exporting producers from this country having regard to Article 2(6a) of the basic Regulation.

(32) Consequently, in order to collect the necessary data for the eventual application of Article 2(6a) of the basic Regulation, in the Notice of Initiation the Commission invited all exporting producers in the PRC to provide information regarding the inputs used for producing decor paper. Two exporting producers submitted the relevant information.

(33) In order to obtain information it deemed necessary for its investigation with regard to the alleged significant distortions, the Commission sent a questionnaire to the GOC. In addition, in point 5.3.2 of the Notice of Initiation, the Commission invited all interested parties to make their views known, submit information and provide supporting evidence regarding the application of Article 2(6a) of the basic Regulation within 37 days of the date of publication of the Notice of Initiation in the *Official Journal of the European Union*.

(34) No questionnaire reply was received from the GOC and no submission on the application of Article 2(6a) of the basic Regulation was received within the deadline. Subsequently, the Commission informed the GOC that it would use facts available within the meaning of Article 18 of the basic Regulation for the determination of the existence of the significant distortions in the PRC.

(35) In the Notice of Initiation, the Commission also specified that, in view of the evidence available, it may need to select an appropriate representative country pursuant to Article 2(6a)(a) of the basic Regulation for the purpose of determining the normal value based on undistorted prices or benchmarks.

(36) On 2 October 2024, the Commission informed by a First Note ('the First Note' or '1st FOP Note') interested parties on the relevant sources it intended to use for the determination of the normal value. In that note, the Commission provided a list of all factors of production ('FOP') such as raw materials, labour and energy used in the production of decor paper. In addition, based on the criteria guiding the choice of undistorted prices or benchmarks, the Commission identified possible representative countries, namely Thailand as an appropriate representative country.

(37) CNFPIA made the following general comments, in response to the '1st FOP Note': (1) 'Significant distortions with respect to the product concerned in China do not exist and have not been proved by the Commission in China.' (2) 'Only those factors of production proven to be distorted should be replaced.' (3) 'The application of Article 2(6a) of the Basic Regulation in the case and its resulting methodology is inconsistent with the WTO [Anti-dumping Agreement ('ADA')].' No other parties submitted comments on the 1st FOP Note. The comment on the existence of significant distortions, is addressed in Section 3.2.1. below where the Commission described the relevant significant distortions. Concerning the comment regarding the factors of production, the Commission recalled that, according to Article 2(6a)(a) of the basic Regulation, once the Commission found that significant distortions exist, domestic costs may be used but only to the extent that they are positively established not to be distorted, on the basis of accurate and appropriate evidence Finally, with regard to the alleged inconsistency of Article 2(6a) of the Basic Regulation in the case and its resulting methodology with the WTO ADA, the Commission refers to Sections 3.2.1.9 and 3.2.1.10 below.

(38) On 6 December 2024, the Commission informed the interested parties by a Second Note ('the Second Note') on the relevant sources it intended to use for the determination of the normal value, with Thailand as the representative country. It also informed interested parties that it would establish selling, general and administrative ('SG&A') costs and profits based on four companies SIAM KRAFT INDUSTRY CO LTD, DOUBLE A (1991) PUBLIC COMPANY, THAI CONTAINERS GROUP CO LTD and SIG COMBIBLOC CO LTD. No comments were received to the Second Note within the deadline.

3.2. **Normal value**

(39) According to Article 2(1) of the basic Regulation, *'the normal value shall normally be based on the prices paid or payable, in the ordinary course of trade, by independent customers in the exporting country'*.

(40) However, according to Article 2(6a)(a) of the basic Regulation, *'in case it is determined […] that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions within the meaning of point (b), the normal value shall be constructed exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks'*, and *'shall include an undistorted and reasonable amount of administrative, selling and general costs and for profits'* (*'administrative, selling and general costs'* is referred hereinafter as 'SG&A').

(41) As further explained below, the Commission concluded in the present investigation that, based on the evidence available, and in view of the lack of cooperation of the GOC, the application of Article 2(6a) of the basic Regulation was appropriate.

3.2.1. *Existence of significant distortions*

(42) Article 2(6a)(b) of the basic Regulation states that '*significant distortions are those distortions which occur when reported prices or costs, including the costs of raw materials and energy, are not the result of free market forces as they are affected by substantial government intervention. In assessing the existence of significant distortions regard shall be had, inter alia, to the potential impact of one or more of the following elements:*

— *the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country;*

— *state presence in firms allowing the state to interfere with respect to prices or costs;*

— *public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces;*

— *the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws;*

— *wage costs being distorted;*

— *access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state*.'

(43) As the list in Article 2(6a)(b) of the basic Regulation is non-cumulative, not all the elements need to be given for a finding of significant distortions. Moreover, the same factual circumstances may be used to demonstrate the existence of one or more of the elements of the list.

(44) However, any conclusion on significant distortions within the meaning of Article 2(6a)(a) of the basic Regulation must be made on the basis of all the evidence at hand. The overall assessment on the existence of distortions may also take into account the general context and situation in the exporting country, in particular where the fundamental elements of the exporting country's economic and administrative set-up provide the government with substantial powers to intervene in the economy in such a way that prices and costs are not the result of the free development of market forces.

(45) Article 2(6a)(c) of the basic Regulation provides that '[w]*here the Commission has well-founded indications of the possible existence of significant distortions as referred to in point (b) in a certain country or a certain sector in that country, and where appropriate for the effective application of this Regulation, the Commission shall produce, make public and regularly update a report describing the market circumstances referred to in point (b) in that country or sector*'.

(46) Pursuant to this provision, the Commission issued a country report concerning China ('the Report') ([6]), which contains evidence of the existence of substantial government intervention at many levels of the economy, including specific distortions in many key factors of production (such as land, energy, capital, raw materials, and labour), as well as selected sectors (such as the wood-based products sector). Interested parties were invited to rebut, comment, or supplement the evidence contained in the investigation file at the time of initiation. The Report ([7]) was placed on the investigation file at initiation. The complaint also contained some relevant evidence complementing the Report.

([6]) Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 10 April 2024, SWD(2024) 91 final. This Report updated the previous Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations of 20 December 2017, SWD(2017) 483.

([7]) Commission Staff Working Document of 20 December 2017 on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence Investigations, SWD(2017) 483 final/2.

(47) More specifically, the complainant relied on the evidence contained in the Report, to stress the presence of systemic significant distortions in the economy of the PRC, a 'socialist market economy' where the Chinese Communist Party ('CCP') guides both the public and private sector.

(48) The complainant explained that the production of decor paper in the PRC is affected by substantial government intervention within the meaning of Article 2(6a)(b) of the basic Regulation and that, as a result, it is not appropriate to use domestic prices and costs to establish normal value. In particular, the complainants argued the presence of significant distortions in the costs of the raw materials used to produce decor paper in the PRC, mainly wood pulp and TiO2, as well as distortions in the cost of energy ([8]).

(49) To support this position, the complainant relied heavily on the evidence contained in the Report, as well as to findings in past Commission's cases.

(50) The complainants mentioned that the decor paper industry is part of the Chinese forestry and wood products sectors and recalled the following elements pointing to the existence of significant distortions.

(51) First, the decor paper sector is subject to the distortions of the costs of the basic raw materials used to manufacture decor paper, mainly wood pulp and TiO2:

— The Commission concluded in its 2017 China Country Report that 'China uses a broad range of instruments allowing it to significantly influence the prices of raw materials. By artificially increasing or decreasing the level of raw materials supply, or simply by centrally setting the prices, the government can steer the prices upwards or downwards' ([9]). This conclusion applies both to wood-based raw materials and to chemicals, as expressly mentioned in the Report ([10]).

— In addition, domestic wood pulp users gain an unfair comparative advantage due to the imposition of export duties on several types of wood pulp and the encouragement of foreign investment in the Chinese wood-processing industry ([11]).

— The Government of China ('*GOC*') underlines, in its 14th Five-Year Plan ('*FYP*'), the urge to support and develop the papermaking and chemical industries, by stating that it *'will transform and upgrade traditional industries* […] *speed up the transformation and upgrading of enterprises in key industries as the chemical industry and papermaking and improve the green manufacturing system'* ([12]). The same concerns the forest industry, where it *'will improve the infrastructure of state-owned forest farms and forest zones'* ([13]).

([8]) Wood pulp and chemicals are the main input materials to produce décor paper, with wood pulp comprising between 15 to 30 % of the total cost of décor paper production. TiO2 and fillers (e.g. flexonyl or iron oxide) are the main chemicals used and represent up to 50 % of the production costs of decor paper.
([9]) Report, p. 358.
([10]) Report, p. 320.
([11]) Report, p. 357.
([12]) 14th Five-Year Plan of the Government of China, p. 26, available at: https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf (accessed on 21 November 2024).
([13]) 14th Five Year Plan of the Government of China, p. 9, 85, available at: https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf (accessed on 21 November 2024).

— The 2019 Catalogue for Guiding Industry Restructuring, sets specific production targets for various forms of wood pulp and mentions various paper and wood pulp production sectors to be eliminated if annual capacities are not met ([14]). This support fits squarely into the system of planning in the PRC, driving resources to sectors designated as strategic or otherwise politically important by the government ([15]).

— Similar to the 14th FYP for Forestry, which aims to support the use of wood as a raw material ([16]), the chemicals sector is also subject to government intervention. Over half of the total chemicals production in the PRC is accounted for by state-owned enterprises ('*SOEs*') ([17]).

(52) Second, the decor paper sector is subject to the distortions of energy costs:

— The Commission has reported that 'normal market considerations do not prevail on the Chinese market for energy, given the significant state intervention in production and pricing' ([18]). In the PRC, about 50 % of energy generation capacity is state-owned, with the entire electricity grid controlled by two state-owned enterprises: State Grid Corporation of China and China Southern Power Grid ([19]). Energy prices are centrally set by the National Development and Reform Commission's Department of Price, using price differentiation strategies to benefit 'encouraged industries' ([20]), including the papermaking one. At the provincial level, additional price differentiation policies are also applied ([21]). GOC intervention often involves energy provision at subsidised rates or rebates ([22]).

— Additionally, decor paper producers, including Zhejiang Kingdecor Paper and Hangzhou Huawang New Material Technology, can benefit from preferential electricity rates charged in certain industrial zones to which their production facilities belong ([23]). Moreover, in some areas, authorities have started to buy and sell electricity themselves ([24]).

— Energy costs in the PRC are also indirectly distorted by the government's decision to lower coal-fired electricity prices. This was aimed at controlling the excessive capacity growth that stemmed from previous substantial subsidies for coal production ([25]).

([14]) 2019 Catalogue for Guiding Industry Restructuring, p. 38 and Section III.12. See also Commission Implementing Regulation (EU) 2023/1648 of 21 August 2023 imposing a definitive anti-dumping duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council ('Coated fine paper AD 2023') (OJ L 207, 22.8.2023, p. 41, ELI: http://data.europa.eu/eli/reg_impl/2023/1648/oj), recital 67.
([15]) Coated fine paper AD 2023, recital 65.
([16]) Forest and Grassland Sectoral Development Plan GOC (2021-2025), p. 9, 10.
([17]) Report p. 101.
([18]) Report p. 294.
([19]) Report p. 265.
([20]) Report, p. 265.
([21]) Report, p. 265.
([22]) Commission Implementing Regulation (EU) 2017/367 of 1 March 2017 imposing a definitive anti-dumping duty on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 11(3) of Regulation (EU) 2016/1036 ('Solar panels AS 2017') (OJ L 56, 3.3.2017, p. 131, ELI: http://data.europa.eu/eli/reg_impl/2017/367/oj), recitals 464-465.
([23]) Report, p. 275.
([24]) Report, p. 278.
([25]) Report, p. 289.

(53) Third, producers in the decor paper sector have access to finance granted by institutions which implement public policy objectives or otherwise are not acting independently from the state:

— In the Report, the Commission described the continuity between government and all major aspects of the financial system in the PRC, concluding that '*this reflects a distorted situation which is de facto not comparable to other market-based economies*' ([26]).

— The financial system as such also requires private banks to support encouraged industries in accordance with governmental policy plans. For example, Article 34 of the Commercial Banking Law No 34 of 2015 states that '*commercial banks shall conduct their business of lending in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the State*'.

— As confirmed by the Commission in several investigations, the development of encouraged industries, such as the papermaking one, is actively pursued by the GOC as a public policy objective, including through preferential lending ([27]).

(54) Fourth, much like in other sectors of the Chinese economy, the decor paper sector is subject to the distortions resulting from public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces ([28]).

(55) Fifth, the decor paper sector is subject to the distortions resulting from the lack, discriminatory application, or inadequate enforcement of bankruptcy, corporate or property laws ([29]).

(56) Sixth, wage costs are distorted in the decor paper sector as well ([30]).

(57) In conclusion, the complainant argued that significant distortions pursuant to Article 2(6a) of the basic Regulation are present in the decor paper sector.

(58) The Commission examined whether it was appropriate or not to use domestic prices and costs in China, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation. The Commission did so on the basis of the evidence available on the file.

(59) That analysis covered the examination of the substantial government interventions in China's economy in general, but also the specific market situation in the relevant sector including the product concerned. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in China.

([26]) Report, p. 180.

([27]) See, e.g. Council Implementing Regulation (EU) No 452/2011 of 6 May 2011 imposing a definitive anti-subsidy duty on imports of coated fine paper originating in the People's Republic of China ('Coated fine paper 2011 AS') (OJ L 128, 14.5.2011, p. 18, ELI: http://data.europa.eu/eli/reg_impl/2011/452/oj) recital 75; Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council ('Coated fine paper AS 2017') (OJ L 171, 4.7.2017, p. 134, ELI: http://data.europa.eu/eli/reg_impl/2017/1187/oj), recital 52; Coated fine paper AD 2023, recital 53; Commission Implementing Regulation (EU) 2023/1647 of 21 August 2023 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of Regulation (EU) 2016/1037 of the European Parliament and of the Council ('Coated fine paper AS 2023') (OJ L 207, 22.8.2023, p. 1, ELI: http://data.europa.eu/eli/reg_impl/2023/1647/oj), recitals 55-72.

([28]) Report, p. 2.

([29]) Ibid.

([30]) Ibid.

3.2.1.1. Significant distortions affecting the domestic prices and costs in China

(60) The Chinese economic system is based on the concept of a 'socialist market economy'. That concept is enshrined in the Chinese Constitution and determines the economic governance of China. The core principle is the '*socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people*' ([31]).

(61) The state-owned economy is the '*leading force in the national economy*' and the state has the mandate to ensure its '*consolidation and growth*' ([32]). Consequently, the overall setup of the Chinese economy not only allows for substantial government interventions into the economy, but such interventions are expressly mandated. The notion of supremacy of public ownership over the private one permeates the entire legal system and is emphasized as a general principle in all central pieces of legislation.

(62) The Chinese property law is a prime example: it refers to the primary stage of socialism and entrusts the state with upholding the basic economic system under which the public ownership plays a dominant role. Other forms of ownership are tolerated, with the law permitting them to develop side by side with the state ownership ([33]).

(63) In addition, under Chinese law, the socialist market economy is developed under the leadership of the CCP. The structures of the Chinese state and of the CCP are intertwined at every level (legal, institutional, personal), forming a superstructure in which the roles of CCP and the state are indistinguishable.

(64) Following an amendment of the Chinese Constitution in March 2018, the leading role of the CCP was given an even greater prominence by being reaffirmed in the text of Article 1 of the Constitution.

(65) Following the already existing first sentence of the provision: '[t]*he socialist system is the basic system of the People's Republic of China*' a new second sentence was inserted which reads: '[t]*he defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China*' ([34]). This illustrates the unquestioned and ever-growing control of the CCP over the economic system of China.

(66) This leadership and control are inherent to the Chinese system and go well beyond the situation customary in other countries where the governments exercise general macroeconomic control within the boundaries of which free market forces are at play.

(67) The Chinese state engages in an interventionist economic policy in pursuance of goals, which coincide with the political agenda set by the CCP rather than reflecting the prevailing economic conditions in a free market ([35]). The interventionist economic tools deployed by the Chinese authorities are manifold, including the system of industrial planning, the financial system, as well as the level of the regulatory environment.

(68) First, on the level of overall administrative control, the direction of the Chinese economy is governed by a complex system of industrial planning which affects all economic activities within the country. The totality of these plans covers a comprehensive and complex matrix of sectors and crosscutting policies and is present on all levels of government.

(69) Plans at provincial level are detailed while national plans set broader targets. Plans also specify the means in order to support the relevant industries/sectors as well as the timeframes in which the objectives need to be achieved. Some plans still contain explicit output targets.

([31]) Report, Chapter 2, p. 7.
([32]) Report, Chapter 2, p. 7-8.
([33]) Report, Chapter 2, p. 10, 18.
([34]) See at: http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node_2825.html (accessed on 18 November 2024).
([35]) Report, Chapter 2, p. 29-30.

(70) Under the plans, individual industrial sectors and/or projects are being singled out as (positive or negative) priorities in line with the government priorities and specific development goals are attributed to them (industrial upgrade, international expansion etc.).

(71) The economic operators, private and state-owned alike, must effectively adjust their business activities according to the realities imposed by the planning system. This is not only because of the binding nature of the plans, but also because the relevant Chinese authorities at all levels of government adhere to the system of plans and use their vested powers, accordingly, thereby inducing the economic operators to comply with the priorities set out in the plans ([36]).

(72) Second, on the level of allocation of financial resources, the financial system of China is dominated by the state-owned commercial and policy banks. Those banks, when setting up and implementing their lending policy need to align themselves with the government's industrial policy objectives rather than primarily assessing the economic merits of a given project ([37]).

(73) The same applies to the other components of the Chinese financial system, such as the stock markets, bond markets, private equity markets etc. Also, these parts of the financial sector are institutionally and operationally set up in a manner not geared towards maximizing the efficient functioning of the financial markets but towards ensuring control and allowing intervention by the state and the CCP ([38]).

(74) Third, on the level of regulatory environment, the interventions by the state into the economy take a number of forms. For instance, the public procurement rules are regularly used in pursuit of policy goals other than economic efficiency, thereby undermining market-based principles in the area. The applicable legislation specifically provides that public procurement shall be conducted in order to facilitate the achievement of goals designed by state policies. However, the nature of these goals remains undefined, thereby leaving broad margin of appreciation to the decision-making bodies ([39]).

(75) Similarly, in the area of investment, the GOC maintains significant control and influence over destination and magnitude of both state and private investment. Investment screening as well as various incentives, restrictions, and prohibitions related to investment are used by authorities as an important tool for supporting industrial policy goals, such as maintaining state control over key sectors or bolstering domestic industry ([40]).

(76) In sum, the Chinese economic model is based on certain basic axioms, which provide for and encourage manifold government interventions. Such substantial government interventions are at odds with the free play of market forces, resulting in distorting the effective allocation of resources in line with market principles ([41]).

3.2.1.2. Significant distortions according to Article 2(6a)(b), first indent of the basic Regulation: the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country

([36]) Report, Chapter 4, p. 57, 92.
([37]) Report, Chapter 6, p. 149-150.
([38]) Report, Chapter 6, p. 153 -171.
([39]) Report, Chapter 7, p. 204-205.
([40]) Report, Chapter 8, p. 207-208, 242-243.
([41]) Report, Chapter 2, p. 19-24, Chapter 4, p. 69, p. 99-100, Chapter 5, p. 130-131.

(77) In China, enterprises operating under the ownership, control and/or policy supervision or guidance by the state represent an essential part of the economy.

(78) The sector of the product concerned is mainly served by private companies, such as Hangzhou Huawang New Material Technology (also called 'Huawon') ([42]), Zhejiang Kingdecor Paper ([43]), Qifeng New Materials ([44]), or Zhejiang Hengda New Materials ([45]).

(79) The investigation however established that the main raw material used for the production of decor paper, i.e. wood pulp and TiO2, are served both by SOEs. For instance, the sector of wood pulp is served by several state-controlled companies such as Fujian Qingshan Paper Industry Co. ([46]) and Shandong Chenming Paper Holding Co. ([47]).

(80) Moreover, in Commission Implementing Regulation (EU) 2024/1923 ([48]) imposing a provisional anti-dumping duty on imports of titanium dioxide originating in the People's Republic of China ('TiO2'), the Commission established that the sector of TiO2 is also served by a number of state-controlled companies, such as Pangang Group Vanadium and Titanium Resources, Ltd. ([49]) ('*Pangang*') part of Pangang Group, a subsidiary of the SOE group Anshan Iron and Steel Group ('*Ansteel*') ([50]), had a significant degree of state ownership (more than 54 %) ([51]).

(81) Fujian Qingshan Paper Industry Co. states that *'In the new development stage, the company will be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era'* ([52]). Additionally, Article 98 of the company's Articles of Association stipulates that *'The company's Party committee shall perform its duties in accordance with the Party constitution and other Party regulations: (i) Ensure supervision of the Party and state policies and the implementation of the decisions and arrangements of the Party Central Committee, the State Council, the Provincial Party Committee and the Provincial Government in the company'* ([53]). Similarly, Shandong Chenming Paper Holding Co's Party committee claims that '[w]*herever the enterprise develops, the Party organization will be established, wherever the key points are, the Party building work will be extended, so as to achieve resonance, mutual integration and progress between Party building and production, operation and management*' ([54]).

(82) Moreover, CCP interventions into operational decision making have become the norm not only in SOEs but also in private companies ([55]), with the CCP claiming leadership over virtually every aspect of the country's economy. Indeed, the state's influence by means of CCP structures within companies effectively results in economic operators being under the government's control and policy supervision, given how far the state and Party structures have grown together in China.

([42]) See: https://www.hwpaper.cn/ (accessed on 15 November 2024).
([43]) See: https://www.kingdecor.cn/sort_8.html (accessed on 15 November 2024).
([44]) See: http://www.qifeng.cn/ (accessed on 15 November 2024).
([45]) See: https://cn.hengdaxincai.com/tzzgx.html (accessed on 15 November 2024).
([46]) See p. 79, available at: http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-4/2024-04-02/9935660.PDF (accessed on 18 November 2024).
([47]) See p. 144, available at: http://www.chenmingpaper.com/Uploadfile/pdf/20240329100700346 9.pdf, (accessed on 15 November 2024).
([48]) Commission Implementing Regulation (EU) 2024/1923 of 10 July 2024 imposing a provisional anti-dumping duty on imports of titanium dioxide originating in the People's Republic of China (OJ L, 2024/1923, 11.7.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/1923/oj), recital 133.
([49]) See https://www.pgvt.cn/index.php?s=Home/Article/lists/art_type/strat_index (accessed on 30 April 2024).
([50]) See http://www.ansteel.cn/yewubankuai/fantaichanye/2016-11-18/5.html (accessed on 30 April 2024).
([51]) See the company's 2023 Annual Report, p. 73, available at: https://static.cninfo.com.cn/finalpage/2024-03-26/1219403167.PDF (accessed on 30 April 2024).
([52]) See: http://www.qingshanpaper.com/intro/12.html (accessed on 15 November 2024).
([53]) See: http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2018/2018-4/2018-04-17/4241785.PDF (accessed on 15 November 2024).
([54]) See: http://www.chenmingpaper.com/about/djgz.aspx (accessed on 15 November 2024).
([55]) See Art. 33 of the CCP Constitution, Article 19 of the Chinese Company Law. See also Report, Chapter 3, p. 47-50.

(83) The decor paper sector is also subject to several government policies, as the wood pulp sector has been listed as an encouraged industry both in the 2019 Guiding Catalogue for Industry Structural Adjustment ([56]), as well as in its 2024 updated version ([57]). Similarly, and as established in Implementing Regulation (EU) 2024/1923 imposing a provisional anti-dumping duty on imports of titanium dioxide originating in the People's Republic of China ([58]), in the 2024 version of Guidance Catalogue for the Industry Structural Adjustment directly addresses the TiO2 sector by listing the TiO2 sulfuric acid process as a restricted industry, while its 2019 version lists the TiO2 chloride process as an encouraged one ([59]).

(84) Furthermore, the 14th FYP on economic and social development and 2035 perspectives sets the following objective: '*Transform and upgrade traditional industries, promote the optimization of layout and structural adjustment of raw material industries such as petrochemicals, steel, nonferrous metals, and building materials, expand the supply of high-quality products such as light industry and textiles, accelerate the transformation and upgrading of key industries such as chemicals and papermaking*' ([60]).

(85) Also, the 2022 Guiding Opinion on Promoting the High Quality Development of the Light Industry ([61]) requires to '*Accelerate breakthroughs in key technologies: Regarding the weak links in industries such as papermaking (…) a number of technological innovation roadmaps in key areas will be examined, drawn up and released (…) technological research and development, engineering and industrialization will be deepened and fostered, the establishment of core technological systems will be accelerated, and the industry's technological level will be raised* ([62])' and '*foster a number of smart manufacturing outstanding scenari in industries such as […] papermaking*' ([63]).

(86) Government control and policy supervision can be also observed at the level of the relevant industry associations ([64]). For instance, the China National Forest Products Industry Association ('CNFPIA') has set up a special committee on decor paper ([65]). The CNFPIA states in Article 3 of its Articles of Association that the organisation '*accepts the business guidance, supervision and management by the entities in charge of registration and management, by the entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management*' ([66]).

(87) Hangzhou Huawang New Material Technology is a member of the CNFPIA and serves as a vice-president of CNFPIA's special committee on decor paper ([67]).

([56]) See Section I.19.1, page 43, available at: https://www.gov.cn/xinwen/2019-11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf, (accessed on 15 November 2024).
([57]) See Section I.19.1, page 44, available at: https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf, (accessed on 15 November 2024).
([58]) See Implementing Regulation (EU) 2024/1923, recital (159).
([59]) For the sulfuric acid process method, see the 2024 Guidance Catalogue, p. 88 (in force as of 1 February 2024) available at https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf (accessed on 18 November 2024). The method was listed as restricted in the 2019 Guidance Catalogue, p. 84, as well. For the chloride process method, see the 2019 Guidance Catalogue, p. 15 (in force until 31 January 2024), available at https://www.gov.cn/xinwen/2019-11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf (accessed on 18 November 2024).
([60]) See Section III.8, available at: http://www.xinhuanet.com/2021-03/13/c_1127205564.htm, (accessed on 15 November 2024).
([61]) See: https://www.gov.cn/zhengce/zhengceku/2022-06/19/content_5696665.htm, (accessed on 15 November 2024).
([62]) Ibid, paragraph 3.
([63]) Ibid, paragraph 12.
([64]) Report, Chapter 2, p. 24-27.
([65]) See: http://www.cnfpia.org/sf_8A67D37C5FBF469EB7F2E8CEFF0B36E5_297_4AAFEFB7475.html (accessed on 19 November 2024).
([66]) See at: http://www.cnfpia.org/about-law.html (accessed on 15 November 2024).
([67]) See p. 11, Hangzhou Huawang New Material Technology's annual report 2023, available at: https://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-4/2024-04-29/10136207.PDF, (accessed on 19 November 2024).

(88) Zhejiang Kingdecor Paper is also a member of CNFPIA and serves as a director of CNFPIA's special committee on decor paper ([68])

(89) Consequently, even privately owned producers in the sector of the product concerned are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the sector are subject to policy supervision and guidance.

3.2.1.3. Significant distortions according to Article 2(6a)(b), second indent of the basic Regulation: state presence in firms allowing the state to interfere with respect to prices or costs

(90) The GOC is in position to interfere with prices and costs through state presence in firms. Indeed, CCP cells in enterprises, state-owned and private alike, represent an important channel through which the state can interfere with business decisions.

(91) According to China's company law, a CCP organisation is to be established in every company (with at least three CCP members as specified in the CCP Constitution ([69])) and the company shall provide the necessary conditions for the activities of the Party organisation.

(92) In the past, this requirement appeared not to have always been followed or strictly enforced. However, since at least 2016 the CCP has been reinforcing its claims to control business decisions in companies as a matter of political principle ([70]), including exercising pressure on private companies to put 'patriotism' first and to follow Party discipline ([71]).

(93) Already in 2018, it was reported that Party cells existed in 73 % of some 2,57 million privately owned companies, with growing pressure for the CCP organisations to have a final say over the business decisions within their respective companies ([72]). These rules are of general application throughout the Chinese economy, across all sectors, including to the producers of the product concerned and the suppliers of their inputs.

(94) In addition, on 15 September 2020 a document titled General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era ('*the Guidelines*') ([73]) was released, which further expanded the role of the Party committees in private enterprises.

(95) Section II.4 of the Guidelines states: '[w]*e must raise the Party's overall capacity to lead private-sector United Front work and effectively step up the work in this area*'; and section III.6 states: '[w]*e must further step up Party building in private enterprises and enable the Party cells to play their role effectively as a fortress and enable Party members to play their parts as vanguards and pioneers*'. The Guidelines thus emphasise and seek to increase the role of the CCP in companies and other private sector entities ([74]).

([68]) See at: https://www.kingdecor.cn/list_269.html, (accessed 19 November 2024).
([69]) Report, Chapter 3, p. 40.
([70]) See for example: Blanchette, J. – Xi's Gamble: *The Race to Consolidate Power and Stave off Disaster*; Foreign Affairs, Vol. 100, No 4, July/August 2021, pp. 10-19.
([71]) Report, Chapter 3, p. 41.
([72]) See at: https://merics.org/en/comment/who-ccp-chinas-communist-party-infographics (accessed on 18 October 2024).
([73]) General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era, see at: www.gov.cn/zhengce/2020-09/15/content_5543685.htm (accessed on 21 October 2024).
([74]) Financial Times (2020) – Chinese Communist Party asserts greater control over private enterprise, see at: https://on.ft.com/3mYxP4j (accessed on 21 October 2024).

(96) The present investigation confirmed that overlaps exist between managerial positions and CCP membership/functions in the decor paper sector. To provide an example, a member of the board of directors of Xianhe, the holding company of Kingdecor, also serves as the Party secretary of the company ([75]). As the investigation has found, Xianhe *'responded to the call of the Party central committee and actively integrated into the new development pattern'* ([76]).

(97) Another example of this overlap between managerial positions and CCP membership/functions, is the case of Qifeng New Material, whose chairman of the board of directors is a member of the CCP ([77]). In 2023, Qifeng New Material, '*adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and under the strong leadership of the company's Party Committee and Board of Directors, [the company] actively explored both international and domestic markets*' ([78]).

(98) An additional example was found in Fujian Qingshan Paper Industry Co. where the chairman of the board of directors also serves as the secretary of the Party committee ([79]). In the first half of 2024, the company '*adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively strengthened party building, [and] actively promoted the deep integration of party building and production and operation business*' ([80]).

(99) The state's presence and intervention in the financial markets as well as in the provision of raw materials and inputs further have an additional distorting effect on the market ([81]). Thus, the state presence in firms, in the decor paper and other sectors (such as the financial and input sectors) allows the GOC to interfere with respect to prices and costs.

3.2.1.4. Significant distortions according to Article 2(6a)(b), third indent of the basic Regulation: public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces

(100) The direction of the Chinese economy is to a significant degree determined by an elaborate system of planning which sets out priorities and prescribes the goals the central, provincial and local governments must focus on. Relevant plans exist at all levels of government and cover virtually all economic sectors. The objectives set by the planning instruments are of a binding nature and the authorities at each administrative level monitor the implementation of the plans by the corresponding lower level of government.

(101) Overall, the system of planning in China results in resources being driven to sectors designated as strategic or otherwise politically important by the government, rather than being allocated in line with market forces ([82]).

([75]) See Xianhe 2023 annual report, p. 47, available at: https://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-4/2024-04-27/10119843.PDF (accessed on 25 November 2024).
([76]) See Xianhe 2024 half-year report, p. 22, available at: http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-8/2024-08-15/10375049.PDF (accessed on 25 November 2024).
([77]) See Qifeng 2023 annual report, p. 27, available at[2]: http://www.qifeng.cn/public/upload/file/20240417/1713317915129159.pdf (accessed on 25 November 2024).
([78]) See Qifeng 2023 annual report, p. 13, available at: http://www.qifeng.cn/public/upload/file/20240417/1713317915129159.pdf (accessed on 25 November 2024).
([79]) See at: http://www.qingshanpaper.com/news/10237.html (accessed on 25 November 2024) as well as in the company's 2024 half-year report, p. 49 available at: https://www.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-08-20/600103_20240820_CTDO.pdf (accessed on 25 November 2024).
([80]) See at: http://www.qingshanpaper.com/news/10237.html (accessed on 25 November 2024) as well as in the company's 2024 half-year report, p. 11 available at: https://www.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-08-20/600103_20240820_CTDO.pdf (accessed on 25 November 2024).
([81]) Report, Chapter 12.
([82]) Report, Chapter 4, p. 56-57, 99-100.

(102) The Chinese authorities have enacted a number of policies guiding the functioning of the decor paper sector.

(103) For example, in its 14th FYP on Economic and Social Development and 2035 perspectives, the Shandong province intends to *'optimize and upgrade traditional industries: […] optimize and refine classical industries such as textiles and clothing, food, papermaking, […]'* ([83]).

(104) Furthermore, the Fujian province 14th special FYP on the High-Quality Development of Manufacturing Industry requires to *'focus on improving the quality of household paper, packaging paper and cardboard, special paper and cardboard, optimize the variety structure, research and development of pulp and paper fiber resources comprehensive utilization'* ([84]).

(105) Additionally, at provincial level, the Fujian Special Plan for the High-Quality Development of Manufacturing Industry during the 14 FYP period, specifies that for *'papermaking and paper products: [the government shall] guide (…) Qingshan paper and other enterprises to strengthen indigenous innovation capacity building, raise design integration capacities and improve the level of production process, technology and equipment'* ([85]).

(106) Also, in the Zhejiang province, the investigation confirmed the existence of preferential policies of the public authorities and state-owned banks towards paper manufacturers as the province *'guides the Longyou county financial institutions to improve the financial environment of key enterprises, continues to optimize financial services, increase support to the real economy, especially to paper industry'* ([86]).

(107) Furthermore, the inputs used to produce decor paper are also subject to governmental policies. More specifically, this is the case for wood pulp which is covered by the PRC's 14th FYP on the Development of the Forest and Grassland Industry (2021-2025) ([87]) ('14th Forest FYP') requiring as regards *'pulp and papermaking: [to] accelerate the elimination of obsolete production capacity and reduce polluting emissions [and] to promote the technological transformation and improve energy and raw materials utilization*'. The investigation in the sector of TiO2 also found that the GOC has measures in place to induce operators to comply with the public policy objectives concerning that sector ([88]).

(108) Through these and other means, the GOC therefore directs and controls virtually every aspect in the development and functioning of the sector, as well as the upstream inputs.

(109) In sum, the GOC has measures in place to induce operators to comply with the public policy objectives concerning the sector. Such measures impede market forces from operating freely.

3.2.1.5. Significant distortions according to Article 2(6a)(b), fourth indent of the basic Regulation: the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws

(110) According to the information on file, the Chinese bankruptcy system delivers inadequately on its own main objectives such as to fairly settle claims and debts and to safeguard the lawful rights and interests of creditors and debtors. This appears to be rooted in the fact that while the Chinese bankruptcy law formally rests on principles that are similar to those applied in corresponding laws in countries other than China, the Chinese system is characterised by systematic under-enforcement.

([83]) See Section IV.12, page 27, available at: https://www.ndrc.gov.cn/fggz/fzzlgh/dffzgh/202105/P020210513602621066980.pdf (accessed 19 November 2024).
([84]) See: https://huanbao.bjx.com.cn/news/20210707/1162695.shtml, (accessed 18 November 2024).
([85]) See at: https://huanbao.bjx.com.cn/news/20210707/1162695.shtml (accessed on 26 November 2024).
([86]) See at: https://jxt.zj.gov.cn/art/2022/12/19/art_1229123455_5040362.html (accessed on 26 November 2024).
([87]) See box 8.3, page 39, http://www.forestry.gov.cn/c/www/lczc/44287.jhtml (accessed on 19 November 2024).
([88]) See Implementing Regulation (EU) 2024/1923, recitals (153-172).

(111) The number of bankruptcies remains notoriously low in relation to the size of the country's economy, not least because the insolvency proceedings suffer from a number of shortcomings, which effectively function as a disincentive for bankruptcy filings. Moreover, the role of the state in the insolvency proceedings remains strong and active, often having direct influence on the outcome of the proceedings ([89]).

(112) In addition, the shortcomings of the system of property rights are particularly obvious in relation to ownership of land and land-use rights in China ([90]). All land is owned by the state (collectively owned rural land and state-owned urban land) and its allocation remains solely dependent on the state. There are legal provisions that aim at allocating land use rights in a transparent manner and at market prices, for instance by introducing bidding procedures. However, these provisions are regularly not respected, with certain buyers obtaining their land for free or below market rates ([91]). Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land ([92]).

(113) Much like other sectors in the Chinese economy, the producers of the product concerned are subject to the ordinary rules on Chinese bankruptcy, corporate, and property laws. That has the effect that these companies, too, are subject to the top-down distortions arising from the discriminatory application or inadequate enforcement of bankruptcy and property laws. Those considerations, on the basis of the evidence available, appear to be fully applicable also in the forestry and wood processing sector, and therefore the decor paper sector. The present investigation revealed nothing that would call those findings into question.

(114) In light of the above, the Commission concluded that there was discriminatory application or inadequate enforcement of bankruptcy and property laws in the sector of the product concerned.

3.2.1.6. Significant distortions according to Article 2(6a)(b), fifth indent of the basic Regulation: wage costs being distorted

(115) A system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. China has not ratified a number of fundamental ILO conventions, in particular those on freedom of association and on collective bargaining ([93]).

(116) Under national law, only one trade union organisation is active. However, this organisation lacks independence from the state authorities and its engagement in collective bargaining and protection of workers' rights remains rudimentary ([94]). Moreover, the mobility of the Chinese workforce is restricted by the household registration system, which limits access to the full range of social security and other benefits to local residents of a given administrative area.

(117) This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower income than the holders of the residence registration ([95]).

(118) No evidence was submitted to the effect that the decor paper sector would not be subject to the Chinese labour law system described. The sector is thus affected by the distortions of wage costs both directly (when making the product concerned or the main raw material for its production) as well as indirectly (when having access to capital or inputs from companies subject to the same labour system in China).

([89]) Report, Chapter 6, pp. 171-179.
([90]) Report, Chapter 9, pp. 260-261.
([91]) Report, Chapter 9, pp. 257-260.
([92]) Report, Chapter 9, pp. 252-254.
([93]) Report, Chapter 13, pp. 360-361, 364-370.
([94]) Report, Chapter 13, p. 366.
([95]) Report, Chapter 13, pp. 370-373.

3.2.1.7. Significant distortions according to Article 2(6a)(b), sixth indent of the basic Regulation: access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state

(119) Access to capital for corporate actors in China is subject to various distortions.

(120) First, the Chinese financial system is characterised by the strong position of state-owned banks ([96]), which, when granting access to finance, take into consideration criteria other than the economic viability of a project. Similar to non-financial SOEs, the banks remain connected to the state not only through ownership but also via personal relations (the top executives of large state-owned financial institutions are ultimately appointed by the CCP) ([97]) and they regularly implement public policies designed by the GOC.

(121) In doing so, the banks comply with an explicit legal obligation to conduct their business in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the state ([98]). While it is acknowledged that various legal provisions refer to the need to respect normal banking behaviour and prudential rules such as the need to examine the creditworthiness of the borrower, the overwhelming evidence, including findings made in trade defence investigations, suggests that these provisions play only a secondary role in the application of the various legal instruments.

(122) For example, the GOC has clarified that even private commercial banking decisions must be overseen by the CCP and remain in line with national policies. One of the state's three overarching goals in relation to banking governance is now to strengthen the Party's leadership in the banking and insurance sector, including in relation to operational and management issues ([99]). Also, the performance evaluation criteria of commercial banks have now to, notably, take into account how entities '*serve the national development objectives and the real economy*', and in particular how they '*serve strategic and emerging industries*' ([100]).

(123) Furthermore, bond and credit ratings are often distorted for a variety of reasons including the fact that the risk assessment is influenced by the firm's strategic importance to the GOC and the strength of any implicit guarantee by the government ([101]). This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important ([102]). This results in a bias in favour of lending to SOEs, large well-connected private firms and firms in key industrial sectors, which implies that the availability and cost of capital is not equal for all players on the market.

(124) Second, borrowing costs have been kept artificially low to stimulate investment growth. This has led to the excessive use of capital investment with ever lower returns on investment. This is illustrated by the growth in corporate leverage in the state sector despite a sharp fall in profitability, which suggests that the mechanisms at work in the banking system do not follow normal commercial responses.

([96]) Report, Chapter 6, pp. 137-140.
([97]) Report, Chapter 6, pp. 146-149.
([98]) Report, Chapter 6, pp. 149.
([99]) See the *Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022)* issued by the China Banking and Insurance Regulatory Commission ('CBIRC') on 28 August 2020; available at: http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=925393&itemId=928 (accessed on 21 October 2024). The Plan instructs to '*further implement the spirit embodied in General Secretary Xi Jinping's keynote speech on advancing the reform of corporate governance of the financial sector*'. Moreover, the Plan's section II aims at promoting the organic integration of the Party's leadership into corporate governance: '*we shall make the integration of the Party's leadership into corporate governance more systematic, standardised and procedure-based* […] *Major operational and management issues must have been discussed by the Party Committee before being decided upon by the Board of Directors or the senior management*'.
([100]) See the *Notice on the Commercial banks performance evaluation method* issued by the CBIRC on 15 December 2020, available at: http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm (accessed on 21 October 2024).
([101]) Report, Chapter 6, pp. 157-158.
([102]) Report, Chapter 6, pp. 150-152, 156-160, 165-171.

(125) Third, although nominal interest rate liberalization was achieved in October 2015, price signals are still not the result of free market forces but are influenced by government-induced distortions. The share of lending at or below the benchmark rate still represented at least one-third of all lending as of the end of 2018 ([103]). Official media in China have recently reported that the CCP called for '*guiding the loan market interest rate downwards*' ([104]). Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.

(126) Overall credit growth in the China indicates a worsening efficiency of capital allocation without any signs of credit tightening that would be expected in an undistorted market environment. As a result, non-performing loans have increased rapidly, with the GOC a number of times opting to either avoid defaults, thus creating so called 'zombie' companies, or to transfer the ownership of the debt (e.g. via mergers or debt-to-equity swaps), without necessarily removing the overall debt problem or addressing its root causes.

(127) In essence, despite the steps that have been taken to liberalize the market, the corporate credit system in China is affected by significant distortions resulting from the continuing pervasive role of the state in the capital markets. Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.

(128) No evidence was submitted in the present investigation demonstrating that the sector of the product concerned is not affected by the government intervention in the financial system in the sense of Article 2(6a)(b), sixth indent of the basic Regulation. Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.

3.2.1.8. Systemic nature of the distortions described

(129) The Commission noted that the distortions described in the Report are characteristic for the Chinese economy. The evidence available shows that the facts and features of the Chinese system as described above as well as in Part I of the Report apply throughout the country and across the sectors of the economy. The same holds true for the description of the factors of production as set out above and in Part II of the Report.

(130) The Commission recalls that in order to produce the product concerned, certain inputs are needed. When the producers of the product concerned purchase/contract these inputs, the prices they pay (and which are recorded as their costs) are clearly exposed to the same systemic distortions mentioned before. For instance, suppliers of inputs employ labour that is subject to the distortions. They may borrow money that is subject to the distortions on the financial sector/capital allocation. In addition, they are subject to the planning system that applies across all levels of government and sectors. These distortions were described in detail above, in particular in recitals (51) to (128) above. The Commission pointed out that the regulatory setup underpinning those distortions is generally applicable, decor paper producers being subject to those rules as any other economic operator in China. The distortions have therefore a direct bearing on the cost structure of the product concerned.

(131) As a consequence, not only the domestic sales prices of the product concerned are not appropriate for use within the meaning of Article 2(6a)(a) of the basic Regulation, but all the input costs (including raw materials, energy, land, financing, labour, etc.) are also affected because their price formation is affected by substantial government intervention, as described in Parts I and II of the Report.

(132) Indeed, the government interventions described in relation to the allocation of capital, land, labour, energy, and raw materials are present throughout China. This means, for instance, that an input that in itself was produced in China by combining a range of factors of production is exposed to significant distortions. The same applies for the input to the input and so forth.

([103]) OECD (2019), OECD Economic Surveys: China 2019, OECD Publishing, Paris. p. 29, see at: https://doi.org/10.1787/eco_surveys-chn-2019-en (accessed on 21 October 2024).

([104]) See at: http://www.gov.cn/xinwen/2020-04/20/content_5504241.htm (accessed on 21 October 2024).

(133) No evidence or arguments to the contrary has been adduced by the GOC in the present investigation.

3.2.1.9. Arguments put forward by interested parties

(134) First, the CNFPIA took the position that Article 2(6a) of the basic Regulation is inapplicable due to its incompatibility with the WTO agreements and the rulings of the WTO Dispute Settlement Body ('*DSB*').

(135) In particular, CNFPIA argued that:

(a) since some provisions of China's WTO Accession Protocol relevant for dumping calculation expired on 11 December 2016, the EU must respect its corresponding obligations under WTO law;

(b) in line with the Appellate Body's findings in DS473 ([105]), for the purpose of calculating the costs in order to obtain the normal value of the product concerned when the domestic price in the exporting country cannot be used, the investigating authorities are not allowed to evaluate the costs reported in the records kept by the exporter/producer pursuant to a benchmark unrelated to the costs of production in the country of origin.

(136) Second, the CNFPIA submitted that the alleged distortions are not well evidenced and, even if they were to exist, they did not affect the product concerned.

(137) Furthermore, CNFPIA expressed the following:

(a) the allegations in the complaint are general in nature and concern China's economy structure, rather than the sector of the product concerned. They largely rely on the Report and on previous Commission's investigations. The evidential value and the relevance of the alleged cross-cutting factors existing in China's economy that are deemed distortive according to the Report is questionable. In particular, the Report does not reveal any links to the Chinese decor paper industry. With respect to the previous Commission investigation, the complainants' reliance on the findings in the okoumé plywood case is, questionable, since the evidence in that case in different to the one relevant for the present investigation, as well as because the determinations on government interventions pursuant to Article 2(6a)(b) of the basic Regulation from the okoumé plywood case cannot be presumed to equally affect the decor paper market;

(b) the complainants did not provide adequate evidence indicating that the decor paper market is served 'to a significant extent' by companies which are under State control, or that there would be State presence in firms 'allowing the State to interfere with respect to prices and costs'. Nor did the complainants specify what is the total number of Chinese decor paper producers and the market share of the companies allegedly controlled by the GOC. In this respect, the parties pointed out that the state-owned enterprise Jilin Group, referred to by the complainants, represents solely around 10 % of the total exports of the product under investigation to the EU in the investigation period. The parties further submitted that the complainants also failed to produce any evidence demonstrating the CCP presence as far as the parties are concerned.

(138) As to the parties' arguments on compatibility with WTO law, the Commission recalled that in anti-dumping proceedings concerning products from China, the parts of Section 15 of China's Accession Protocol to the WTO that have not expired, continue to apply when determining normal value, both with respect to the market economy standard and with respect to the use of a methodology that is not based on a strict comparison with Chinese prices or costs.

([105]) WT/DS473- European Union – Anti-Dumping Measures on Biodiesel from Argentina, available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds473_e.htm.

(139) As to the parties' reference to DS473, the Commission recalled that the Report of Appellate Body in DS473 did not concern the implementation of Article 2(6a) of the basic Regulation, but of a particular stipulation within Article 2(5) of the basic Regulation. Nevertheless, WTO law, as interpreted by the Appellate Body in DS473, permits the use of data from a third country, duly adjusted when such adjustment is necessary and substantiated. Indeed, the existence of significant distortions renders costs and prices in the exporting country inappropriate for the construction of normal value. Therefore, the parties' arguments could not be accepted.

(140) Concerning the parties' arguments on sufficiency of evidence to demonstrate the existence of significant distortions, the Commission recalled at the outset that according to Article 2(6a)(e) of the basic Regulation, if the Commission deems the evidence submitted by the complainants on the significant distortions sufficient, it can initiate the investigation on this basis. The Commission pointed out in this context that, as confirmed by the General Court in *Viraj Profiles*, the quantity and quality of the evidence necessary to meet the criteria of the sufficiency of the evidence for the purpose of initiating an investigation is different from that which is necessary for the purpose of a preliminary or final determination of the existence of dumping, injury or of a causal link ([106]). Hence, the complaint met the standards set in Article 5(9) of the basic Regulation, in combination with Article 2(6a)(d). Indeed, as indicated in the Notice of Initiation ([107]), the Commission considered at the initiation stage that there was sufficient evidence pursuant to Article 5(9) of the basic Regulation tending to show that, due to significant distortions affecting prices and costs, the use of domestic prices and costs in the PRC would be inappropriate, thus warranting the initiation of an investigation on the basis of Article 2(6a) of the basic Regulation.

(141) The Commission therefore proceeded to prove such distortions. In order to do so, the Commission has, in line with Article 2(6a)(e) of the basic Regulation, collected the data necessary to determine the existence and impact of significant distortions and the consequent use of the methodology prescribed by Article 2(6a)(a) of the basic Regulation. The data collected by the Commission and the resulting conclusions, whether on presence of state-owned companies in the sector of the product concerned or the links to the CCP are presented in Section 6.3 of this Regulation. Therefore, the parties' arguments on the evidence contained in the complaint could not be accepted.

3.2.1.10. Conclusion

(142) The analysis set out in this section, which includes an examination of all the available evidence relating to China's intervention in its economy in general as well as in the sector of the product concerned showed that prices and costs of the product concerned, including the costs of raw materials and inputs, energy and labour, are not the result of free market forces because they are affected by substantial government intervention within the meaning of Article 2(6a)(b) of the basic Regulation as shown by the actual or potential impact of one or more of the relevant elements listed therein.

(143) On that basis, the Commission concluded that it is not appropriate to use domestic prices and costs to establish normal value in this case.

(144) Consequently, the Commission proceeded to construct the normal value exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks, that is, in this case, on the basis of corresponding costs of production and sale in an appropriate representative country, in accordance with Article 2(6a)(a) of the basic Regulation, as discussed in the following section.

([106]) Judgement of 11 July 2017, *Viraj Profiles* v *Council*, T-67/14, EU:T:2017:481, para. 98.

([107]) Notice of initiation of an anti-dumping proceeding concerning imports of decor paper originating in the People's Republic of China published on 14 July 2024. C/2024/3695. Available at: Notice of initiation of an anti-dumping proceeding concerning imports of decor paper originating in the People's Republic of China.

3.2.2. *Representative country*

3.2.2.1. General remarks

(145) The choice of the representative country was based on the following criteria pursuant to Article 2(6a) of the basic Regulation:

— A level of economic development similar to the PRC. For this purpose, the Commission used countries with a gross national income per capita similar to the PRC on the basis of the database of the World Bank ([108]);

— Production of the product under investigation in that country;

— Existence of readily available data in the representative country.

— Where there is more than one possible representative country, preference was given, where appropriate, to the country with an adequate level of social and environmental protection.

(146) As explained in recitals (36) to (38), the Commission issued two notes for the file on the sources for the determination of the normal value: the First Note on factors of production dated 2 October 2024 (the 'First Note') and the Second Note on the factors of production dated 6 December 2024 (the 'Second Note').

(147) These notes described the facts and evidence underlying the relevant criteria, and also addressed the comments received by the parties on these elements and on the relevant sources.

(148) In the Second Note on factors of production, the Commission informed interested parties of its intention to consider Thailand as an appropriate representative country in the present case if the existence of significant distortions pursuant to Article 2(6a) of the basic Regulation would be confirmed.

A level of economic development similar to the PRC

(149) In the First Note on factors of production, the Commission identified Thailand, Brazil, Indonesia and Türkiye as countries with a similar level of economic development as the PRC according to the World Bank, i.e. they are all classified by the World Bank as 'upper-middle income' countries on a gross national income basis where production of the product under investigation was known to take place.

(150) No comments were received concerning the countries identified in that note.

Existence of relevant readily available data in the representative country

(151) In the Second Note, the Commission indicated that for the countries identified as countries where product under investigation is being produced, i.e. Thailand, Brazil, Indonesia and Türkiye, the availability of readily available data needed to be further verified in particular with regard to the readily available financial data from producers of the product under investigation.

(152) The Commission looked at the presence of producers of decor paper in each of the four potential representative countries and searched for readily available financial data of companies producing the product under investigation. The Commission could not identify such companies in the four potential representative countries.

([108]) World Bank Open Data – Upper Middle Income, https://data.worldbank.org/income-level/upper-middle-income.

(153) The Commission then looked at producers of a product in the same general category of the product under investigation in each of the four potential representative countries, that also includes specialty paper (mainly flexible packaging and labels) and printing paper. No company was identified in this category with readily available financial data. The complainants identified in the complaint a Thai company (Thai Paper Mill) in this category and provided documents, allegedly for their financial data of 2022. However, the referenced period did not include any part of the IP, and the data was an unofficial excel extraction from a database ([109]). Hence, the Commission was unable to confirm the financial data from any readily available source.

(154) The Commission then looked at other products in the same general category as the product under investigation ('paper and packaging producers') ([110]), as packaging is also mentioned in the description of the four concerned HS codes ([111]), which excludes wood pulp, which is an upstream product/raw material completely different in nature from the product concerned. The Commission identified readily available financial data in Orbis for the Thai producers, namely: SIAM KRAFT INDUSTRY CO LTD; DOUBLE A (1991) PUBLIC COMPANY; THAI CONTAINERS GROUP CO LTD and SIG COMBIBLOC CO LTD. also mentioned below in Section 3, which showed profitability for 2023 Thailand was the only possible representative country, for which readily available financial data of paper and packaging producers was found. For the other potential representative countries, the Commission found in Orbis information concerning some companies which were either loss-making in the financial year 2023 or companies with no available financial data for the investigation period.

(155) No comments were received within the deadline. One party, KINGDECOR, submitted comments after the deadline which will be treated at the definitive stage.

Level of social and environmental protection

(156) Having established that Thailand may be considered as an appropriate representative country based on all the above elements,, there was no need to assess the level of social and environmental protection in accordance with the last sentence of Article 2(6a)(a) first indent of the basic Regulation.

3.2.2.2. Conclusion

(157) In view of the above analysis, Thailand met the criteria laid down in Article 2(6a)(a), first indent of the basic Regulation in order to be considered as an appropriate representative country.

3.2.3. *Sources used to establish undistorted costs*

(158) In the First Note, the Commission listed the factors of production such as materials, energy and labour used in the production of the product under investigation by the exporting producers and invited the interested parties to comment and propose publicly available information on undistorted values for each of the factors of production mentioned in that note.

([109]) https://datawarehouse.dbd.go.th/company/profile/vScPNww_dec61eAs8SfIvBpRIrRb0ZQTkaQ5FAs7U l1gSCofJO0PTqqcpWa511Vv.
([110]) NACE Rev. 2: 1723 – Manufacture of paper and paperboard as the narrowest industry sector that contains the 6-digit CN of the product under investigation – Paperboard includes both flexible/lightweight (e.g. specialty) and hard paperboard.
([111]) HS codes: 4802 54, 4802 55, 4805 91, 4811 60.

(159) Subsequently, in the Second Note, the Commission stated that, in order to construct the normal value in accordance with Article 2(6a)(a) of the basic Regulation, it would use Global Trade Atlas ('GTA') ([112]) to establish the undistorted cost of most of the factors of production, notably the raw materials. In addition, the Commission stated that it would use the statistics published by National Statistical Office through the Bank of Thailand ([113]), OECD library ([114]) and the publication 'Cost of Doing Business in Thailand 2023' ([115]). for establishing undistorted costs of labour and the electricity price statistics published by the Metropolitan Electricity Authority Thailand ([116]) for electricity.

(160) The Commission explained in the Second Note its intention to calculate the price of steam in Thailand using, as basis, the methodology suggested by the U.S. Department for Energy ([117]). This methodology provides a cost for steam based on the heat input required to produce it by natural gas. To this end, the Commission intended to use the natural gas as heat input and, thus, the price of natural gas in Thailand as published by the Thai Ministry of Energy ([118]). Since this methodology calculates only the fuel cost of steam, the Commission would adjust this cost for water, consumables, other costs, SG&A and profit.

(161) In the Second Note, the Commission also informed the interested parties that gas, compressed air and water, all together account for less than 0,3 % of the total production cost, thus, would be merged into consumables. Further, the Commission informed that it would calculate the percentage of the consumables on the total cost of inputs and apply this percentage to the recalculated cost of raw materials when using the established undistorted benchmarks in the appropriate representative country

(162) The total of the factors of production that were merged into consumables, accounted for around 3 % of the total production cost, and thus finally, about 4 % of the total production cost is accounted as consumables.

3.2.4. *Undistorted costs and benchmarks*

3.2.4.1. Factors of production

(163) Considering all the information submitted by the interested parties and collected during the verification visits, the following factors of production and their sources have been identified in order to determine the normal value in accordance with Article 2(6a)(a) of the basic Regulation:

Table 1

Factors of production of decor paper

Factors of Production	Commodity Code	Source of data the Commission intends to use	Unit of measurement	Unit cost CNY/unit
Raw materials				
Wood Pulp – non-coniferous	470329	Global Trade Atlas (GTA)	Kg	4,66
Wood Pulp – coniferous	470321	Global Trade Atlas (GTA)	Kg	6,11
Titanium dioxide	32061110 32061190	Global Trade Atlas (GTA)	Kg	24,94

([112]) Global Trade Atlas: https://connect.ihsmarkit.com/, http://www.gtis.com/gta/secure/default.cfm.
([113]) https://app.bot.or.th/BTWS_STAT/statistics/BOTWEBSTAT.aspx?reportID=912&language=ENG.
([114]) https://www.oecd.org/en/publications/oecd-economic-surveys-thailand-2023_4815cb4b-en.html.
([115]) https://www.boi.go.th/upload/content/Cost_of_Doing_Business.pdf.
([116]) Metropolitan Electricity Authority Thailand at https://www.mea.or.th/en/statistics/energy-sales.
([117]) US Department of Energy: 'Benchmark the Fuel Cost of Steam Generation'. Available at https://www.energy.gov/eere/amo/articles/benchmark-fuel-cost-steam-generation.
([118]) https://public.tableau.com/app/profile/epposite/viz/_16516675014300/sheet0.

Factors of Production	Commodity Code	Source of data the Commission intends to use	Unit of measurement	Unit cost CNY/unit
Kaolin	250700000020	Global Trade Atlas (GTA)	Kg	2,83
Wet strength agent / Polyamide Epichlorohydrin Resin (PAE)/Retention aid	380992	Global Trade Atlas (GTA)	Kg	7,30
Silicate double salt/Sodium alumina silicate	284210	Global Trade Atlas (GTA)	Kg	25,39
Iron series pigments / Iron oxide pigments (yellow-black-red-brown)	282110000010	Global Trade Atlas (GTA)	Kg	10,74
Talcum powder	25262010 252620900010 252620900020	Consumables		—
Organic ink / pigments / Color paste	32041710 32041790	Consumables		—
Defoamer / Detergent	380992	Consumables		—
Starch	1108	Consumables		—
Latex	4002 11	Consumables		—
Diatomite	251200	Consumables		—
White carbon black	281122	Consumables		—
Sodium hypochlorite	282890	Consumables		—
Liquid caustic soda	281512	Consumables		—
Aluminium sulphate	283322	Consumables		—
Bactericide	380892	Consumables		—
Bentonite	250810	Consumables		—
Sodium hydroxide	281511	Consumables		—
Sodium Carbonate	283620	Consumables		—
Scrap/Recycled paper	—	Consumables		—
By-products				
Scrap/Recycled paper	—	Consumables		—

Factors of Production	Commodity Code	Source of data the Commission intends to use	Unit of measurement	Unit cost CNY/unit
Energy				
Energy – Electricity	—	Metropolitan Electricity Authority Thailand	kWh	0,91
Energy – Gas	—	Consumables		—
Energy – water	—	Consumables		—
Energy – steam	—	Ministry of Energy Thailand	MT	228,35
Energy – Compressed air	—	Consumables		—
Labour				
Labour	—	National Statistical Office and Bank of Thailand	manhour	20,32

(164) The Commission included a value for manufacturing overhead costs in order to cover costs not included in the factors of production referred to above. The methodology is duly explained under section *Manufacturing overhead costs, SG&A, profits and depreciation* below.

Raw materials and inputs

(165) In order to establish the undistorted price of raw materials as delivered at the gate of a representative country producer, the Commission used as a basis the weighted average import price (CIF) to the representative country as reported in the GTA to which import duties and transport costs were added.

(166) As regards wood pulp (eucalyptus), a type of wood not common in China or nearby countries, which is the second most important raw material for the production of decor paper, the two Chinese producers proved during the verification that they only buy from non-Chinese sources from unrelated suppliers. This means that their import prices were accepted and not replaced.

(167) Concerning the main raw material, titanium dioxide, KINGDECOR claimed and proved during the verification that it imported a limited amount of its titanium dioxide from unrelated suppliers, outside China. This concerned qualities unavailable in China. For this part of titanium dioxide, its imports prices were accepted and not replaced.

(168) For all other raw materials, an import price in the representative country was determined as a weighted average of unit prices of imports from all third countries excluding the PRC and countries which are not members of the WTO, listed in Annex 1 to Regulation (EU) 2015/755 of the European Parliament and the Council ([119]).

([119]) Regulation (EU) 2015/755 of the European Parliament and of the Council of 29 April 2015 on common rules for imports from certain third countries (OJ L 123, 19.5.2015, p. 33, ELI: http://data.europa.eu/eli/reg/2015/755/oj). Article 2(7) of the basic Regulation considers that domestic prices in those countries cannot be used for the purpose of determining normal value.

(169) The Commission decided to exclude imports from the PRC into the representative country as it concluded in Section 3.2 that it is not appropriate to use domestic prices and costs in the PRC due to the existence of significant distortions in accordance with Article 2(6a)(b) of the basic Regulation. Given that there is no evidence showing that the same distortions do not equally affect products intended for export, the Commission considered that the same distortions affected export prices. The remaining volumes were considered to be representative.

Labour

(170) The Commission used the latest available statistics of National Statistical Office through the Bank of Thailand, OECD library and the publication 'Cost of Doing Business in Thailand 2023', indexed to the IP, using the average labour cost in the manufacturing sector of Thailand ([120]).

Electricity

(171) The price of electricity for companies (industrial users) in Thailand is published by the Metropolitan Electricity Authority Thailand ([121]). The Commission used the data on the industrial electricity prices in the corresponding consumption band in THB/kWh as published periodically for every month of the IP.

Steam

(172) As described in section 3.2.3, the Commission calculated the price of steam in Thailand using, as basis, the methodology suggested by the U.S. Department for Energy ([122]). This methodology provides a cost for steam based on the heat input required to produce. To this end, the Commission used the natural gas as heat input and, thus, the price of natural gas in Thailand as published by the Thai Ministry of Energy ([123]). Since this methodology calculates only the fuel cost of steam, the Commission adjusted this cost for water, consumables, other costs, SG&A and profit. The Commission considered that an overall rate covering these costs and profit would be reasonable. No comments on this point in the 2nd Note were received from interested parties.

Manufacturing overhead costs, SG&A costs, profits

(173) According to Article 2(6a)(a) of the basic Regulation, *'the constructed normal value shall include an undistorted and reasonable amount for administrative, selling and general costs and for profits*'. In addition, a value for manufacturing overhead costs needs to be established to cover costs not included in the factors of production referred to above.

(174) The manufacturing overheads incurred by the cooperating exporting producers were expressed as a share of the costs of manufacturing actually incurred by the exporting producers. This percentage was applied to the undistorted costs of manufacturing.

(175) For establishing an undistorted and reasonable amount for manufacturing overheads, SG&A costs and profit, the Commission relied on the financial data of the four Thai companies, SIAM KRAFT INDUSTRY CO LTD, DOUBLE A (1991) PUBLIC COMPANY, THAI CONTAINERS GROUP CO LTD and SIG COMBIBLOC CO LTD. as extracted from Orbis.

(176) SG&A costs expressed as a percentage of the Costs of Goods Sold ('COGS') and applied to the undistorted costs of production, amounted to 11,38 %. The profit expressed as a percentage of the COGS and applied to the undistorted costs of production, amounted to 9,29 %. The Commission considered that these rates, when applied to the undistorted costs of production, would result in an amount for profit that would be reasonable, within the meaning of Article 2(6a)(a) of the basic Regulation, for the ex-works level of trade.

([120]) The Labor Force Survey, National Statistical Office Ministry of Digital Economy And Society Thailand https://www.nso.go.th/nsoweb/storage/survey_detail/2024/20240521125659_79859.pdf.

([121]) https://www.mea.or.th/en/statistics/energy-sales.

([122]) US Department of Energy: 'Benchmark the Fuel Cost of Steam Generation'. Available at https://www.energy.gov/eere/amo/articles/benchmark-fuel-cost-steam-generation.

([123]) https://public.tableau.com/app/profile/epposite/viz/_16516675014300/sheet0.

Calculation

(177) On the basis of the above, the Commission constructed the normal value per product type on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.

(178) First, the Commission established the undistorted manufacturing costs. The Commission applied the undistorted unit costs to the actual consumption of the individual factors of production of the cooperating exporting producer. These consumption rates were verified by the Commission. The Commission multiplied the consumption rates by the undistorted costs per unit observed in the representative country, as described in Section 3.2.4.1.

(179) Then the Commission added manufacturing overheads, as explained in recital (173) to the undistorted cost of manufacturing in order to arrive at the undistorted costs of production.

(180) To the costs of production established as described in the previous recital, the Commission applied the SG&A costs and profit percentages calculated in recitals (174) to (175).

(181) On that basis, the Commission constructed the normal value per product type on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.

3.3. **Export price**

(182) The sampled exporting producers exported to the Union either directly to independent customers or through related companies.

(183) For the exporting producers that exported the product concerned directly to independent customers in the Union, the export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.

(184) One exporting producer partially exported the product concerned to the Union through a related user, acting as an importer who further processed the product concerned. The exporting producer did not provide detailed information about the cost of further processing and the final selling price, the Commission therefore provisionally decided to use for these transactions the export price to the related user. The Commission requested data about the cost of processing and the final selling price, which then will be used at definitive stage to establish the export price on the basis of the price at which the imported product was first resold to independent customers in the Union, in accordance with Article 2(9) of the basic Regulation.

3.4. **Comparison**

(185) Article 2(10) of the basic Regulation requires the Commission to make a fair comparison between the normal value and the export price at the same level of trade and to make allowances for differences in factors which affect prices and price comparability. In the case at hand the Commission chose to compare the normal value and the export price of the sampled exporting producers at the ex-works level of trade. As further explained below, where appropriate, the normal value and the export price were adjusted in order to: (i) net them back to the ex-works level; and (ii) make allowances for differences in factors which were claimed, and demonstrated, to affect prices and price comparability.

3.4.1. *Adjustments made to the normal value*

(186) As explained in recital (177) the normal value was established at the ex-works level of trade by using costs of production together with amounts for SG&A and for profit, which were considered to be reasonable for that level of trade. Therefore, no adjustments were necessary to net the normal value back to the ex-works level.

(187) Save for a VAT adjustment on the account of non-refundable VAT, the Commission found no reasons for making any allowances to the normal value, nor were such allowances claimed by any of the sampled exporting producers.

3.4.2. *Adjustments made to the export price*

(188) In order to net the export price back to the ex-works level of trade, adjustments were made on the account of: customs duty, other import charges, freight, insurance, yearly rebates, handling loading and ancillary expenses and packing expenses.

(189) Allowances were made for the following factors affecting prices and price comparability: credit cost and bank charges

3.5. **Dumping margins**

(190) For the sampled exporting producers, the Commission compared the weighted average normal value of each type of the like product with the weighted average export price of the corresponding type of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation.

(191) On this basis, the provisional weighted average dumping margins expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Hangzhou HUAWANG New Material Technology Co., Ltd	34,9 %
KINGDECOR (Zhejiang) Co., Ltd.	31,0 %

(192) For the cooperating exporting producers outside the sample, the Commission calculated the weighted average dumping margin, in accordance with Article 9(6) of the basic Regulation. Therefore, that margin was established on the basis of the margins of the sampled exporting producers, disregarding the margins of the exporting producers with zero and *de minimis* dumping margins, as well as margins established in the circumstances referred to in Article 18 of the basic Regulation.

(193) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 33,6 %.

(194) For all other exporting producers in the PRC, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the total imports from the country concerned to the Union in the IP, that were established on the basis of Eurostat.

(195) The level of cooperation in this case was high because the exports of the cooperating exporting producers constituted around 90 % of the total imports during the IP. On this basis, the Commission decided to establish the dumping margin for non-cooperating exporting producers at the level of the sampled company with the highest dumping margin.

(196) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Hangzhou HUAWANG New Material Technology Co., Ltd	34,9 %
KINGDECOR (Zhejiang) Co., Ltd.	31,0 %

Company	Provisional dumping margin
Other cooperating companies	33,6 %
All other imports	34,9 %

4. INJURY

4.1. Definition of the Union industry and Union production

(197) The like product was manufactured by seven producers in the Union during the investigation period ([124]). They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.

(198) The total Union production during the investigation period was established at around 473 000 tonnes. The Commission established the figure on the basis of all the available information concerning the Union industry, such as the macro questionnaire reply submitted by the complainant and verified by the Commission. As indicated in recital (15) the three sampled Union producers represented 60 % of the estimated total EU production and 61 % of the estimated total EU sales quantity of the like product.

4.2. Determination of the relevant Union market

(199) To establish whether the Union industry suffered injury and to determine consumption and the various economic indicators related to the situation of the Union industry, the Commission examined whether and to what extent the subsequent use of the Union industry's production of the like product had to be taken into account in the analysis.

(200) As explained in recital (27), decor paper is used as a surface material for decorative applications. Decor paper is used as intermediate product which is then laminated onto wood-based panels such as medium density fibreboards or particleboard through the use of high temperatures and pressure, or, alternatively, by means of adhesives. Decor paper's end use is mainly in the furniture, interior design or construction sector.

(201) There were no captive sales of the product under investigation on the Union market during the period considered. One of the sampled Union producers was part of a large group of companies purchasing decor paper from their related party and using it for the production of other downstream products. The Commission analysed the related sales transactions and associated documents, and considered those sales made to related companies as free market sales, as these sales to separate legal entities were made approximately at the same price as those charged to independent parties and those entities had a free choice of supplier.

(202) A non-complainant Union producer was also part of a larger group of companies involved in further processing of the product under investigation. However, given its lack of cooperation, the Commission was not able to ascertain the terms of sales to related parties for this producer. In the absence of detailed information, the Commission considered the estimated sales volume in the Union provided by the complainant as free market sales in the analysis of Union consumption and Union sales volume in the Union market.

(203) The distinction between captive and free market is relevant for the injury analysis because products destined for captive use are not exposed to direct competition from imports. By contrast, production destined for free market sale is in direct competition with imports of the product concerned.

([124]) One of the known EU producers manufactured the like product during the period considered but ceased production of decor paper at the end of 2022. Another producer has been involved in an insolvency procedure since 2023.

4.3. **Union consumption**

(204) The relevant CN codes also encompassed other types of specialty paper outside the definition of the product under investigation. In order to calculate the Union consumption, the Commission compared the import data statistics post-IP at both 8-digit CN and 10-digit TARIC code level from the Surveillance database. The TARIC codes were only available after the initiation of the investigation and related exclusively to the product under investigation. The comparison showed that for the period from July 2024 to November 2024, the volumes of decor paper imported into the Union at TARIC level constituted around 30 % of the overall volumes imported from China under the corresponding CN codes. Excluding China, imports of decor paper from the rest of the world at TARIC level accounted for around 15 % of total import volumes at CN level.

(205) Given the above, the Commission established the Union consumption on the basis of:

— the Union industry's sales volume to the Union market, based on the verified questionnaire replies of the sampled Union producers and the macro-questionnaire submitted by the complainants;

— the imports into the Union of the product concerned from the PRC, based on the verified sales quantities of the cooperating exporting producers, and adjusted to reflect the estimated total volume of imports from the PRC for the period considered ([125]); and

— the imports into the Union of the product concerned from third countries based on a ratio applied to Eurostat statistics ([126]).

(206) Union consumption developed as follows:

Table 2

Union consumption (tonnes)

	2020	2021	2022	2023	Investigation period
Total Union consumption	430 260	501 495	416 247	369 929	371 822
Index	*100*	*117*	*97*	*86*	*86*

Source: verified questionnaire replies of the sampled Chinese exporting producers, macro-questionnaire, Eurostat ([127]).

(207) Union consumption sharply increased by 17 % between 2020 and 2021. This was mainly due to the increase in market demand for construction materials that was prompted by the COVID-19 pandemic. The pandemic led to lockdowns and boosted the home renovations market, which resulted in higher demand for decor paper, as it is mainly used in the production of furniture and laminate flooring.

([125]) Based on information in the complaint about import volumes, it was estimated, conservatively, that the cooperating exporting producers represented close to 90 % of the import volumes to the Union from the PRC. Hence, the import volume was adjusted by adding 10 % to the values submitted by the sampled Chinese exporting producers.

([126]) The Commission applied a ratio of 15 % based on the comparison made in Surveillance between CN and TARIC additional codes, as explained in recital (203).

([127]) The specific ratio and methodology applied for Chinese imports and imports from third countries has been covered in recital (203) and footnotes 125 and 126 above.

(208) Following 2021, Union consumption sharply dropped by 17 %, and in 2023 and in the investigation period by a further 11 %.

4.4. **Imports from the country concerned**

4.4.1. *Volume and market share of the imports from the country concerned*

(209) The Commission established the volume of imports on the basis of the data provided by the cooperating exporting producers that were considered to represent almost 90 % of the volume of imports to the Union.

(210) The market share of the Chinese imports was established by comparing import volumes with the Union market consumption as per Table 2 above.

(211) Imports into the Union from the country concerned developed as follows:

Table 3

Import volume (tonnes) and market share

	2020	2021	2022	2023	Investigation period
Volume of imports from the PRC (tonnes)	4 618	11 885	14 673	24 436	24 800
Index	*100*	*257*	*318*	*529*	*537*
Market share (%)	1	2	4	7	7
Index	*100*	*221*	*328*	*615*	*621*

Source: Data provided by the sampled cooperating exporting producers ([128]).

(212) Chinese imports in 2020 were limited at around 4 600 tonnes at the beginning of the period considered and with a market share of 1 %. However, in 2021, imports increased exponentially by 157 %; this sharp upward trend continued throughout the rest of the period considered. Throughout the entire the period considered, imports increased by 437 % to more than 24 000 tonnes. During the period considered, Chinese imports increased by 6 percentage points.

(213) The market share followed the same steep increase as the volume of imports from the People's Republic of China, increasing by 521 % during the period considered. Moreover, the Chinese market share grew by three percentage points, from 4 % to 7 % in the span of one year, between 2022 and 2023.

4.5. **Prices of the imports from the country concerned and price undercutting**

(214) The Commission established the prices of imports based on data provided by the cooperating exporting producers that were considered close to 90 % of imports to the Union.

(215) The weighted average price of imports into the Union from the country concerned developed as follows:

([128]) The import values have been adjusted by applying an increase of 10 % to the values submitted by the sampled Chinese exporting producers, as explained in footnote 125.

Table 4

Import prices (EUR/tonne)

	2020	2021	2022	2023	Investigation period
People's Republic of China	1 496	1 694	1 853	1 793	1 711
Index	*100*	*113*	*124*	*120*	*114*

Source: Data provided by the cooperating exporting producers.

(216) Import prices from China increased in 2021 and 2022, following a similar trend as the Union industry average sales prices shown in Table 8. However, during the whole period considered, Chinese import prices remained far below the average Union sales prices, which increased to a level of 2 220 EUR/tonne in the investigation period.

(217) The Commission determined the price undercutting during the investigation period by comparing:

(1) the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level; and

(2) the corresponding weighted average prices per product type of the imports from the sampled cooperating Chinese producers to the first independent customer on the Union market, established on a Cost, insurance, freight (CIF) basis, with appropriate adjustments for customs duties and post-importation costs.

(218) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period. It showed a weighted average undercutting margin of between 9,3 % and 10,9 % by the imports from the country concerned on the Union market.

(219) The Commission, in addition, established the existence of price suppression starting from 2022, when the Union industry was faced with increased cost of production due to higher costs of raw materials and energy. However, the Union industry was not able to increase their prices sufficiently to offset the increases in cost of production due to price suppression from Chinese imports, which started in 2022 and continued throughout the period considered.

4.6. **Economic situation of the Union industry**

4.6.1. *General remarks*

(220) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.

(221) As mentioned in recital (15), sampling was used for the determination of possible injury suffered by the Union industry.

(222) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators, related to all Union producers, on the basis of data contained in the reply to the macro-questionnaire provided by the complainant, the adjusted data from the cooperating Chinese exporting producers, and the adjusted Eurostat data on imports from third countries of the product under investigation, as explained in recital (204) and footnotes 126 and 127. The Commission evaluated the microeconomic indicators, related to the sampled Union producers, on the basis of data contained in the questionnaire replies from the sampled Union producers. Both sets of data were found to be representative of the economic situation of the Union industry.

(223) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the dumping margin.

(224) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital.

4.6.2. *Macroeconomic indicators*

4.6.2.1. Production, production capacity and capacity utilisation

(225) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 5

Production, production capacity and capacity utilisation

	2020	2021	2022	2023	Investigation period
Production volume (tonnes)	547 775	635 842	511 674	464 523	473 850
Index	*100*	*116*	*93*	*85*	*87*
Production capacity (tonnes)	686 031	688 531	683 948	659 396	642 729
Index	*100*	*100*	*100*	*96*	*94*
Capacity utilisation (%)	80	92	75	70	74
Index	*100*	*116*	*94*	*88*	*92*

Source: Macro-questionnaire provided by the complainant.

(226) The production volume of the Union industry decreased by 13 % between 2020 and the investigation period, in line with the trends in sales volume as shown in Table 8 below. The temporary increase in production volumes in 2021 could be attributed to the uptick in demand caused, as explained in recital (207), by the 'stay-at-home' economy during the lockdowns following the COVID-19 pandemic. However, starting from 2022 production volumes started to decrease. The decrease was due to lower market demand for decor paper in the Union, which was further exacerbated by the high inventory levels that were built up through the supply chain, as explained in recitals (245) and (246). In addition, following the increase in dumped imports from the PRC that mostly concerned commercial grade decor paper (such as whites, light colours and browns), to keep market share several Union producers had to focus production on more intensive colours which led to longer and more frequent preparation and maintenance of the paper machines, leading to longer production downtimes.

(227) The total Union capacity fluctuated throughout the period considered. During 2021 the declared production capacity increased due to longer in-between periods scheduled for planned maintenance of the decor paper machines. Starting from 2022 onwards, capacity started to decrease. This was mostly due to the cessation of decor paper production at the end of 2022 of one Union producer, and the insolvency of another Union producer starting end of 2023.

(228) The capacity utilisation increase observed in 2021 was prompted by the increase in net production volumes due to increased market demand for decor paper during the COVID-19 pandemic. Production volumes and capacity utilisation in 2022, 2023 and in the investigation period were far below the pre-2022 levels, which was a consequence of the overall decrease in market demand for decor paper and intensified competition from Chinese dumped imports.

4.6.2.2. Sales volume and market share

(229) The Union industry's sales volume and market share developed over the period considered as follows:

Table 6

Sales volume and market share

	2020	2021	2022	2023	Investigation period
Total sales volume on the Union market (tonnes)	399 241	449 781	365 243	334 737	335 333
Index	*100*	*113*	*91*	*84*	*84*
Market share (%)	93	90	88	90	90
Index	*100*	*97*	*95*	*98*	*97*

Source: Macro questionnaire provided by the complainant, adjusted data from the cooperating Chinese producers, and the adjusted Eurostat data, as explained in recital (204) and footnotes 126 and 127.

(230) Union industry sales volume increased in 2021 by 13 percentage points compared to 2020, mainly due to the aforementioned increase in demand prompted by COVID-19 lockdowns (see recital (207)). As explained above, the demand for decor paper started decreasing in 2022 after the high demand in 2021. As Chinese imports started increasing both in absolute terms and in market shares as from the second half of 2021, this resulted in a significant drop in Union sales volumes.

(231) Market share dropped from 93 % to 90 % during the period considered. The further reduction in 2022 to 88 % can be attributed to an increase in market share from third countries which abated in 2023 and the investigation period.

4.6.2.3. Growth

(232) As explained above, due to the boom in home renovation caused by lockdowns during the COVID-19 pandemic, the union industry was able to profit from high demand and sales price above cost of production, which led to 2021 as being the only profitable year of the period considered. However, this situation was reversed starting from 2022, when the Union industry was faced with dwindling demand, coupled with competition from Chinese dumped imports, which led to prices to be set at below cost of production, as shown in Table 8 below.

4.6.2.4. Employment and productivity

(233) Employment and productivity developed over the period considered as follows:

Table 7

Employment and productivity

	2020	2021	2022	2023	Investigation period
Number of employees	2 288	2 323	2 300	2 234	2 218
Index	*100*	*102*	*101*	*98*	*97*
Productivity (unit per FTE)	240	274	223	208	214
Index	*100*	*114*	*93*	*87*	*89*

Source: Macro-questionnaire provided by the complainant.

(234) After a slight increase by 2 % in the number of employees in 2021, the Union industry decreased its workforce from 2021 until the investigation period, as its production and sales volumes decreased. Moreover, some sampled Union producers had to resort to short-time work during the COVID-19 pandemic in 2020 and for the period starting from end of 2022 up to the investigation period due to lack of orders and consequent frequent stops of machines. This situation was however not reflected in the total number of employees, as the affected employees were still employed by the companies and kept on their payrolls.

(235) Productivity developed in line with the changes in production volumes. It decreased by 11 % over the period considered, with a temporary increase in 2021, thanks to the increase in Union industry's production and sales due to above mentioned exceptionally favourable conditions in that year. The change in the product mix and subsequent increased machine maintenance and startup times, explained in recital (225), further reduced the productivity per FTE as from 2022.

4.6.2.5. Magnitude of the dumping margin and recovery from past dumping

(236) All dumping margins were significantly above the de minimis level. The impact of the magnitude of the actual margins of dumping on the Union industry was substantial, given the volume and prices of imports from the country concerned.

(237) This is the first anti-dumping investigation regarding the product concerned. Therefore, no data were available to assess the effects of possible past dumping.

4.6.3. *Microeconomic indicators*

4.6.3.1. Prices and factors affecting prices

(238) The weighted average unit sales prices of the sampled Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 8

Sales prices in the Union

	2020	2021	2022	2023	Investigation period
Average unit sales price in the Union on the total market (EUR/tonne)	1 714	1 892	2 398	2 353	2 220
Index	*100*	*110*	*140*	*137*	*130*
Unit cost of production (EUR/tonne)	1 809	1 853	2 521	2 406	2 272
Index	*100*	*102*	*139*	*133*	*126*

Source: Verified questionnaire replies of the sampled Union producers.

(239) During the period considered, sales prices followed a bell-shaped curve, peaking in 2022 and decreasing in 2023 and during the investigation period. The unit sales price followed the same trend as the cost of production. In 2020, the Union industry started in an unfavourable economic position due to temporary reductions in production and number of machines in operation, and it could not keep the average unit sales price above cost of production. After the second half of the year, demand rebounded, as the pandemic-led 'stay-at-home' economy pushed people to invest disposable income in home renovations. 2021 constituted the only year in which the Union industry was able to increase its prices above cost of production. This trend was quickly reversed in the following years when the Union industry was not able to keep sales prices above cost of production.

(240) The cost of production was driven mainly by raw material and energy costs. In particular, the trend in cost of production followed closely the trend in prices for the two main raw materials, titanium dioxide ('TiO2') and wood pulp. Moreover, in 2022, Russia's unprovoked and unjustified military aggression against Ukraine caused a large increase in energy costs, which continued throughout 2023 and the investigation period.

(241) Moreover, as shown in Table 4, Chinese prices during the period considered were consistently lower as compared to the Union industry cost of production, with a difference in price ranging between 9 % during the peak of 2021 and around 25 % for the rest of the period considered, including the investigation period. Hence, during most of the period considered the Union industry was not able to increase its prices sufficiently to cover its costs of production, which indicated that the dumped imports from China suppressed the prices of the Union industry.

4.6.3.2. Labour costs

(242) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 9

Average labour costs per employee

	2020	2021	2022	2023	Investigation period
Average labour costs per employee (EUR/FTE)	53 553	57 911	57 759	56 913	57 544
Index	*100*	*108*	*108*	*106*	*107*

Source: Verified questionnaire replies of the sampled Union producers.

(243) Average labour cost per employee increased by 7 % over the period considered.

4.6.3.3. Inventories

(244) Stock levels of the sampled Union producers developed over the period considered as follows:

Table 10

Inventories

	2020	2021	2022	2023	Investigation period
Closing stocks (tonnes)	25 570	33 788	33 767	39 015	39 140
Index	100	132	132	153	153
Closing stocks as a percentage of production (%)	8,43	9,22	11,83	15,00	14,31
Index	100	109	140	178	170

Source: Verified questionnaire replies of the sampled Union producers.

(245) The level of inventories in absolute terms and as a percentage of production increased by 53 % and 70 %, respectively. In 2021, peak consumer demand and production, coupled with compounding demand requests throughout the supply chain triggered a bullwhip effect. This created stockpiling in the warehouses of the Union producers and their customers, with some reporting delayed call-offs of produced quantities, lasting throughout the subsequent period.

(246) The decor paper business works mostly based on orders and call-off stock arrangements. Moreover, one of the sampled Union producers implemented a system characterised by a mix of made-to-order stock and express stock, made available for last minute orders of the most commonly sold types of decor paper. Compounding stock, coupled with decreasing demand and production quantity led to the increase in closing stock during the period considered, subsequently resulting also in an increase in closing stocks as a percentage of production.

(247) However, given that most product types of the like product were produced by the Union industry based on specific orders of users, the level of stocks was not considered to be a meaningful injury indicator for this industry.

4.6.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

(248) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 11

Profitability, cash flow, investments and return on investments

	2020	2021	2022	2023	Investigation period
Profitability of sales in the Union to unrelated customers (% of sales turnover)	– 1,8	6,1	0,3	– 1,5	– 1,6
Index	*100*	*334*	*15*	*85*	*90*
Cash flow (EUR)	25 782 599	68 211 077	25 816 186	8 194 398	16 361 914
Index	*100*	*265*	*100*	*32*	*63*
Investments (EUR)	14 675 504	13 502 987	19 605 557	11 004 427	7 873 781
Index	*100*	*92*	*134*	*75*	*54*
Return on investments (%)	– 6,9	31,2	4,2	4,6	6,5
Index	*100*	*552*	*160*	*167*	*194*

Source: Verified questionnaire replies of the sampled Union producers.

(249) The Commission established the profitability of the three sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales.

(250) In the years prior to the period considered, from 2014 to 2019, the Union industry was profitable, see recital (281). At the start of the period considered however, the Union industry's results were negative due to the economic downturn in 2020 caused by the COVID-19 pandemic and the consequent loss in demand during the first half of that year. This market contraction resulted in a decline in sales and increase in costs mainly due to frequent machine stoppages and the resort to short-time work by some Union producers, as explained in recital (234). In 2021, profitability experienced a peak due to the boom in house renovations following the COVID-19 pandemic, and started to deteriorate in 2022, reaching negative profitability levels in 2023 and the investigation period. As already shown in Table 11 above, the Union industry was able to keep its prices above cost of production only in 2021.

(251) The imbalance between cost of production and depressed prices translated into the erosion in profitability starting from 2022 onwards.

(252) The net cash flow is the ability of the Union producers to self-finance their activities. The trend in net cash flow fluctuated during the period considered, experiencing a sharp increase in 2021 due to the favourable circumstances for the decor paper industry created by the effects of the lockdowns. Cash flow in 2022 returned to the same levels as 2020, before experiencing a sharp drop in 2023. Due to the period differences existing between the years prior the investigation period and the investigation, whereby the calculation for changes in inventories could not be considered as providing a reliable picture of the true cash flow positions of one of the EU sampled companies. Hence, the rebound shown during the investigation period can be considered as artificially inflated. In any event, even when taking the cash flow for the investigation period in full, the Union industry still experienced a decrease of 37 % during the period considered.

(253) Investments decreased by – 8 % in 2021, increased by + 42 % in 2022 before sharply dropping by – 59 % and – 21 % in 2023 and the investigation period, respectively. The increase in 2022 can be attributed to several investments undertaken following the high market demand and profit margins of 2021.

(254) The return on investments is the profit in percentage of the net book value of investments. Despite a negative return on investment experienced in 2020, it more than quadrupled in 2021 before decreasing again in 2022 and 2023. During the investigation period, return on investment reached 6,5 %, marking an increase of 94 % as compared to 2020. It must also be recalled that the return on investment is calculated on the overall profitability of the product under investigation, thus also including sales on the export markets. As explained in recital (239), while prices on the Union market were generally set below cost of production (with the exception of 2021), prices on export market were generally higher and above cost of production, as it will be shown in Table 13. While return on investment almost doubled between 2020 and the investigation period, other indicators such as investments and cash flow still showed a negative trend for the period considered.

(255) The sampled Union producers' ability of the Union industry to raise capital was thus considered to be affected by the erosion of the profitability as well as of the cash flow incurred over the period considered.

4.7. **Conclusion on injury**

(256) The majority of the injury indicators showed a negative trend during the period considered. Although the situation of the Union industry temporarily improved in 2021, the injury indicators such as production volume, sales volume on the Union market, and profitability decreased in 2022 and then further declined in the investigation period.

(257) The sales volume of the Union industry decreased by 16 % between 2020 and the investigation period. This decrease was more significant than the Union consumption, which decreased by 14 % during the period considered. In particular, the Union industry sales quantity on the Union market experienced a sharper drop in 2022 (9 %) and in the period covering 2023 and the investigation period (16 %) as compared to the decline in the consumption (3 % in 2022 and 14 % in 2023 and the investigation period).

(258) While the Union industry started in 2020 from an unfavourable economic position due to frequent machines stoppages and the resort to short time work for several Union industry producers caused by plummeting demand at the outset of the COVID-19 pandemic (recital (250)), in 2021 the Union industry was able to improve their economic situation due to the increased market demand for decor paper at the start of the COVID-19 pandemic. However, this positive trend was reversed by 2022 and the subsequent period, when Union producers experienced not only dwindling demand, but also increased competition from fast-growing Chinese dumped volumes.

(259) In addition, as already highlighted in recital (219), starting from 2022, the Union industry was faced with increases in the cost of production driven mainly by higher costs of raw materials and energy. The Union industry, however, could not increase their sales prices sufficiently to offset these significant cost increases due to price suppression from Chinese imports. The gap between cost of production and sales prices in the Union was around 4 % during 2023 and the investigation period, leading to a sharp decrease in profitability as compared to 2021.

(260) On the basis of the above, the Commission concluded at this stage that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

5. CAUSATION

(261) In accordance with Article 3(6) of the basic Regulation, the Commission examined whether the dumped imports from the country concerned caused material injury to the Union industry. In accordance with Article 3(7) of the basic Regulation, the Commission also examined whether other known factors could at the same time have injured the Union industry. The Commission ensured that any possible injury caused by factors other than the dumped imports from the country concerned was not attributed to the dumped imports. These factors are:, effects of the dumped imports, imports from third countries, effects of the decrease in consumption on the Union market, as well as the export performance of the Union industry.

5.1. Effects of the dumped imports

(262) As shown in Table 3, Chinese imports steadily increased during the period considered, from a market share of 1 % in 2020 to 7 % in the investigation period. Moreover, Chinese import volumes almost doubled in the span of one year, between 2022 and 2023. Chinese landed prices remained below Union industry's prices throughout the period considered, even in 2021 when market demand for decor paper in the Union increased significantly. Moreover, the Chinese market share followed a steep upward trend, increasing by 521 % during the period considered (recital (213)), from 1 % to 7 %.

(263) The Commission also found that Chinese import prices were consistently lower than the Union industry's cost of production, exerting price suppression during the period considered. As demand in 2022 dwindled, and the Union industry started to face increased and fast-growing competition from Chinese dumped imports, the Union industry was unable to set their prices above cost of production.

(264) Chinese dumped on the Union market exerted price suppression on Union industry sales prices.

(265) In addition, as already mentioned in recital (218), the Commission established a weighted average undercutting margin of between 9,3 % and 10,9 % by the imports from the sampled exporting producers on the Union market in the investigation period, coinciding in time with the increasingly deteriorating situation of the Union industry.

(266) The analysis of the injury indicators shows that the economic situation of the Union industry worsened especially towards the second half of the period considered and this coincided with a significant increase of dumped imports from the country concerned, which were found to undercut the Union industry prices during the investigation period. Those imports, in any event, caused significant price suppression throughout the period considered, as the Union industry was not able to increase its prices in line with the increase of cost of production, and even had to decrease the prices below the cost of production in the investigation period.

(267) In view of the above considerations, the Commission provisionally established that there is a causal link between the material injury suffered by the Union industry and the dumped imports from China within the meaning of Article 3(6) of the basic Regulation. Such injury had both volume and price effects.

5.2. Effects of other factors

(268) The Commission also examined whether other known factors, individually or collectively, were capable of attenuating the causal link established between the dumped imports to the effect that such link would no longer be genuine and substantial.

5.2.1. *Consumption decrease*

(269) During the period considered, Union consumption spiked in 2021 thanks to favourable market conditions in the construction and renovation sectors created by the COVID-19 pandemic. Following the relaxation of the COVID-19 measures in 2022, demand for decor paper-based applications consequently decreased. This downward trend started in 2022 and lasted throughout 2023 and the investigation period.

(270) However, slumping demand cannot break the causal link between the influx of dumped imports from the PRC and the injury suffered by the Union industry, as the EU industry sales quantity on the EU market experienced a sharper drop in 2022 (9 %) and the period comprising 2023 and the investigation period (16 %) as compared to the decline in the consumption (3 % in 2022 and 14 % in 2023 and the investigation period). In addition, as already highlighted in Table 3, Chinese exporters were able to sharply increase their exports to the EU during the period considered, and to almost double their market share in only one year (from 2022 to 2023); the trends in consumption must thus be seen not only in the context of an established decrease in demand in the Union market, but also taking into account the trend of Chinese imports, whereby a sharp rise in dumped imports negatively affected the sales volume of the Union industry.

5.2.2. *Imports from third countries*

(271) The volume of imports from other third countries developed over the period considered as follows:

Table 12

Imports from third countries

Country		2020	2021	2022	2023	Investigation period
United Kingdom	Volume (tonnes)	5 477	5 998	4 309	3 573	6 496
	Index	*100*	*110*	*79*	*65*	*119*
	Market share (%)	1	1	1	1	2
	Average price	1 308	661	915	798	560
	Index	*100*	*51*	*138*	*87*	*70*
Other third countries	Volume (tonnes)	20 923	33 830	32 022	7 183	5 193
	Index	*100*	*162*	*95*	*22*	*72*
	Market share (%)	5	7	8	2	1
	Average price	436	574	578	690	758
	Index	*100*	*132*	*101*	*120*	*110*
Total of all third countries except the country concerned	Volume (tonnes)	26 401	39 828	36 331	10 756	11 689
	Index	*100*	*151*	*138*	*41*	*44*
	Market share (%)	6	8	9	3	3
	Average price	617	587	617	726	648
	Index	*100*	*95*	*100*	*118*	*105*

Source: Adjusted Eurostat data, as explained in recital (204) and footnotes 126 and 127.

(272) As explained in recitals (204)-(205), due to the inclusion of different products that are not the product under investigation under the relevant CN codes, and in the absence of more accurate sources of information, the Commission had to apply a ratio to the imports from Eurostat, based on the difference between the actual post-initiation imports of the product under investigation as recorded under the respective 10-digit TARIC codes and the overall Union imports under the corresponding CN codes. Hence, the figures from third countries are given mostly as an indication for the market trends in terms of volume and market share and not for the purpose of defining import prices of the product under investigation.

(273) The Commission found that out of all countries exporting decor paper into the Union, only the United Kingdom held a market share above 1 %. However, based on market information obtained by the Commission in the process of the anti-dumping investigation and by the complainants, there were no known decor paper producers in the United Kingdom.

(274) An increase in market share from third countries was only experienced in 2021, a period market by high demand and high profit margins, and in 2022, when some residual market demand from the previous year persisted. By 2023 and during the investigation period, the market share dropped by 6 percentage points. In any event, the overall market share of the UK in the EU remained quite stable during the period considered (around 1–2 %), while the market share of other third countries actually decreased from 5 % to 1 %. It was therefore provisionally concluded that imports from other countries have not contributed to the injury suffered by the Union industry.

5.2.3. *Export performance of the Union industry*

(275) The volume of exports of the sampled Union producers developed over the period considered as follows:

Table 13

Export performance of the sampled Union producers

	2020	2021	2022	2023	Investigation period
Export volume (tonnes)	129 475	144 305	112 099	94 076	92 321
Index	*100*	*111*	*87*	*73*	*71*
Average price (EUR/tonne)	1 698	2 043	2 571	2 542	2 463
Index	*100*	*120*	*151*	*150*	*145*

Source: Macro questionnaire provided by the complainant for export volume and verified questionnaire replies of the sampled Union producers for average price.

(276) In the period considered, the Union industry decreased its export volume by 29 %, following the same trend as sales on the Union market. Export volumes peaked in 2021, as the global COVID-19 lockdowns triggered an uptick in demand of decor paper worldwide. The following years were market by a steady decline in export volumes.

(277) The average export prices increased, during the period considered, by 45 %. Export prices followed the same trend as sales prices in the Union; however, export prices were set above the average cost of production, with the exception of 2020. This also helped the Union industry to recover some of the losses on the EU market.

(278) While the Union industry was able to charge higher prices for its exports sales, its already limited export volumes further decreased by 29 % over the period considered. As the export volumes were limited, and still profitable, the trend in export sales did not attenuate the causal link.

5.2.4. *Reasons for the injurious situation in 2020*

(279) In 2020, the Union market experienced a decrease in demand, driven by the market uncertainty due to the outset of the COVID-19 pandemic. This resulted in temporary reductions in production and number of machines in operation. Consequently, the Union industry was not able to keep its sales prices above the costs of production and suffered losses in this period (recital (239)). However, market demand started to improve in the second half of the year, peaking in 2021 due to the boom in home renovations (recital (250)). As already shown in Table 11, 2021 was the only year for which the Union industry was able to keep its prices above cost of production, as the Union economic situation deteriorated in 2022 and the following years, including in the investigation period.

(280) While at the beginning of the period considered Chinese imports into the Union were negligible in terms of volume and market share, and the Union industry nonetheless experienced a negative economic downturn, it must be considered that the market contraction and erosion in profitability experienced in 2020 was driven by the uncertainty connected with the outset of the COVID-19 pandemic. However, all these reasons did not attenuate the causal link between Chinese imports and the injury experienced during the investigation period.

(281) As a matter of fact, the analysis of the historical profitability in the Union for sales to unrelated showed that in the years prior to 2020, the Union industry was in a generally positive financial situation, with weighted profit margins ranging between 2,3 % and 6,5 % in the period between 2014 and 2019, when Chinese imports of decor paper into the Union were negligible or non-existent.

5.3. **Conclusion on causation**

(282) As already explained in recital (250), decreasing demand was already negatively affecting the Union industry. The rapid influx of Chinese dumped imports, whose market share doubled between 2022 and 2023, forced the Union industry to set their sales prices in the Union below cost of production in order to stay competitive with Chinese prices and maintain their presence on the market.

(283) In light of the above considerations, a causal link was established between the injury suffered by the Union industry and the dumped imports from China, which was not attenuated by the factors mentioned above.

(284) After initiation, the CNFPIA submitted that injury was caused by imports from other countries and by the complainants' production efficiency. To support its claim, the CNFPIA used data from Eurostat to show that the import price from China is higher than that from the other countries, and that the import price from other countries is also lower than the EU import price from EU members.

(285) The Commission considered that, as already explained in recital (267) and Section 4.3, the CN codes reported at initiation include a basket of different products outside of the product concerned. Albeit the average prices reported in Table 12 are lower than Chinese prices, the figures from third countries are given mostly as an indication for the market trends in terms of volume and market share and not for the purpose of defining import prices of the product under investigation. In any event, even if the prices reported in Table 12 were the actual import prices, those imports would not cause injury given the low volumes and market share. In particular, the market share of imports from the United Kingdom was rather limited at 2 %, while the volume of imports from other third countries drastically decreased in 2023. Therefore, the Commission rejected this claim.

6. LEVEL OF MEASURES

(286) In the present case, the complainants claimed the existence of raw material distortions within the meaning of Article 7(2a) of the basic Regulation. Thus, in order to conduct the assessment on the appropriate level of measures, the Commission first established the amount of duty necessary to eliminate the injury suffered by the Union industry in the absence of distortions under Article 7(2a) of the basic Regulation. Then it examined whether the dumping margin of sampled exporting producers would be higher than their injury margin (see recital (296) below).

6.1. Underselling margin

(287) The injury would be removed if the Union Industry were able to obtain a target profit by selling at a target price in the sense of Articles 7(2c) and 7(2d) of the basic Regulation.

(288) In accordance with Article 7(2c) of the basic Regulation, for establishing the target profit, the Commission took into account the following factors: the level of profitability before the increase of imports from the country concerned, the level of profitability needed to cover full costs and investments, research and development (R & D) and innovation, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6 %.

(289) The complainant submitted that, based on the prior performance of the Union industry, under normal market conditions a reasonable profit of 10 % should be considered. This level of the target profit was, however, not evidenced nor supported by the findings of the investigation.

(290) Information relating to the establishment of the normal profit was additionally included in the questionnaire sent to the sampled Union producers. This included the profitability of the like product for the 10 years preceding the investigation period.

(291) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition based on a weighted average of the profit margins achieved by the three sampled Union producers in 2014, a profitable year marked by a favourable economic period in the construction sector and prior to the arrival of Chinese dumped imports in 2020. Such profit margin was established at 6,5 %.

(292) The Union Industry provided evidence that its level of investments, research and development ('R&D') and innovation during the period considered would have been higher under normal conditions of competition. The Commission verified this information based on investment plans and refused and postponed projects, demonstrating that that these investments were genuinely planned. Indeed, the claims of the EU Industry were found to be warranted. To reflect this in the target profit, the Commission calculated the difference between investments, R & D and innovation ('IRI') expenses under normal conditions of competition as provided by the EU Industry and verified by the Commission with actual IRI expenses over the period considered. Such difference, expressed as a percentage of turnover, was set between 0,5 % and 1,3 % for each of the sampled companies.

(293) Such percentages were added to the basic profit of 6,5 % mentioned in recital (287), leading to target profits ranging between 7,0 % and 7,8 % based on each company circumstances.

(294) On this basis, the Commission calculated a non-injurious price of 2 361 EUR/tonne for the like product of the Union industry by applying the above-mentioned target profit margin (see recital (291)) to the cost of production of the sampled Union producers during the investigation period and then adding the adjustments under Article 7(2d) on a type-by-type basis.

(295) The Commission then determined the underselling margin level on the basis of a comparison of the weighted average import price of the sampled cooperating exporting producers in the PRC, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.

(296) The underselling margin for 'other cooperating companies' and for 'all other imports originating in the PRC' is defined in the same manner as the dumping margin for these companies and imports (see recital (192)).

Country	Company	Dumping margin (%)	Underselling margin (%)
The People's Republic of China	Hangzhou Huawang New Material Technology Co., Ltd	34,9	29,0
The People's Republic of China	Kingdecor (Zhejiang) Co., Ltd.	31,0	23,0
The People's Republic of China	Other cooperating companies	33,6	27,0
The People's Republic of China	All other imports originating in the PRC	34,9	29,0

6.2. **Examination of the margin adequate to remove the injury to the Union industry**

(297) As explained in the Notice of Initiation, the complainant provided the Commission sufficient evidence that there are raw material distortions in the country concerned regarding the product under investigation. Therefore, in accordance with Article 7(2a) of the basic Regulation, this investigation examined the alleged distortions to assess whether, if relevant, a duty lower than the margin of dumping would be sufficient to remove injury.

6.3. **Raw material distortions**

(298) The complainant has provided sufficient evidence in the complaint that there are raw material distortions within the meaning of Article 7(2a) of the basic Regulation in the PRC with regard to the product concerned. According to the evidence in the complaint, titanium dioxide and wood pulp, each individually accounting for more than 17 % of the cost of production of the product concerned, is subject to export licencing requirements in the PRC.

(299) Therefore, as announced in the Notice of Initiation, in accordance with Article 7(2a) of the basic Regulation, the Commission examined the alleged distortions.

(300) The Commission first identified the main raw materials used in the production of the product concerned by each of the sampled exporting producers. As main raw materials were considered those raw materials which are likely to represent at least 17 % of the cost of production of the product concerned. The Commission established that both titanium dioxide and wood pulp represented at least 17 % of the cost of production of the product concerned. For the purpose of this calculation, an undistorted price of the raw material as established in Thailand was used. However, the investigation established that wood pulp was not sourced domestically, but imported by the sampled exporting producers, so there was no need to further examine this raw material.

(301) The Commission then examined whether titanium dioxide is distorted by one of the measures listed in Article 7(2a) of the basic Regulation: dual pricing schemes, export taxes, export surtax, export quota, export prohibition, fiscal tax on exports, licensing requirements, minimum export price, value added tax (VAT) refund reduction or withdrawal, restriction on customs clearance point for exporters, qualified exporters list, domestic market

obligation, captive mining. For this purpose the Commission used a list of goods subject to export licenses maintained by the GOC (Ministry of Commerce and its competent local departments). The 2023 and 2024 lists specified that titanium dioxide (TiO2) and other titanium-related products are subject to export licensing requirements.

(302) Subsequently, the Commission compared the price of titanium dioxide to prices in the representative international markets. It was found that the unit price of titanium dioxide in the PRC, as reported by the sampled exporting producers, was almost half the unit price in representative countries, including Thailand, which was considered an appropriate representative country. This was also confirmed by the reported import prices of titanium dioxide of one of the sampled exporting producers, that sourced around 10 % of titanium dioxide outside the PRC.

(303) The Commission concluded that titanium dioxide is subject to a distortion within the meaning of Article 7(2a) of the basic Regulation.

7. **UNION INTEREST**

7.1. **Union interest under Article 7(2b) of the basic Regulation**

(304) In accordance with Article 7(2b) of the basic Regulation, the Commission examined whether it could clearly conclude that it was in the Union interest to determine the amount of provisional duties in accordance with Article 7(2a) of the basic Regulation. The determination of the Union interest was based on an appreciation of all pertinent information to this investigation, including the spare capacities in the exporting country, competition for raw materials and the effect on supply chains for Union companies. In order to conduct this assessment, the Commission analysed the specific questions in the questionnaires submitted by the cooperating users, organised verification visits to LamiGraf and Interprint, and also hearings with both users (recital (6)).

7.1.1.1. Spare capacities in the exporting country

(305) On the basis of information provided by the complainants ([129]), spare decor paper production capacity in China was estimated in 2022 at around [600 000–650 000] tonnes. In line with this information, the Commission established that during the IP the two sampled exporting producers in China had production capacities of [550 000–600 000] tonnes and spare capacities of [40 000–60 000] tonnes. By contrast, the Union market between 2022 and the investigation period had a size of [370 000–420 000] tonnes. In relative terms, spare capacities in China are therefore of a sizeable magnitude.

(306) The Commission therefore concluded that a significant spare capacity existed in China and that, if used, this spare capacity had the potentiality to increase the global supply of the product under investigation, depress prices and consequently undermine the effectiveness of the measure if not set at the level of dumping.

7.1.1.2. Competition for raw materials

(307) As regards competition for raw materials, the Commission established that TiO2, representing more than 17 % of undistorted production costs, is subject to export licensing requirements, and that the unit price of this raw material in China, as reported by the sampled exporting producers, was only around half the unit price in all possible representative countries that were considered in the 1st FOP Note, namely, Brazil Indonesia, Malaysia, Thailand, and Türkiye. As set out in Section 6.3 above, the Chinese raw material market of TiO2 was considered to be distorted.

([129]) See Annex 7a of the complaint, slides 35–37.

(308) Export licensing requirements on TiO2 in China oblige exporting companies to receive prior approval from the government in the form of licenses or permits in order to export the product.

(309) Such procedures not only give the government control over the exporters and the amounts of exported goods but may also increase transaction costs or prevent exporters from reacting quickly to sales opportunities abroad due to long processing times.

(310) By artificially increasing the level of raw materials supply, the GOC exerts a downward pressure on prices of domestic TiO2. This creates a comparative disadvantage for the Union industry compared to the exporting producers in China.

7.1.1.3. Effect on supply chains for Union companies

(311) As explained in recital (27), the main use of decor paper is in the furniture, interior-design and construction and renovation industries as a laminate on a backing material. The main downstream users are printers, impregnators, and laminators. Printers print a particular design on decor paper (e.g. wood, grain, marble); impregnators typically impregnate décor paper with synthetic resin, such as melamine or urea resin, while laminators laminate decor paper onto wood-based panels such as medium density fibreboards or particleboard through the use of high temperatures and pressure, or, alternatively, by means of adhesives.

(312) No unrelated importer and trader came forward in this investigation. Two companies initially came forward as unrelated importers but were both considered as users given the degree of processing of decor paper in their respective production processes.

(313) In total, four users participated in this investigation opposing the imposition of duties. Out of those, two printers submitted questionnaire replies. The others submitted comments.

(314) Both cooperating users submitted that if anti-dumping duties were imposed on Chinese imports, users on the Union market could experience higher costs which would also spill over to end consumers. Both users also highlighted that if duties are imposed, the Turkish market would become more competitive, driving independent printers and impregnators to move production outside of the Union.

(315) One user also submitted that if high anti-dumping duties are imposed, Chinese imports of decor paper into the Union will virtually stop, and the EU would remain the only viable supplier due to high-entry barriers for new players in the decor paper sector, namely high investments in greenfield projects, environmental barriers, as decor paper producers traditionally need access to a water source, and barriers to know-how and quality. This combination would lead Union producers to increase prices following the lack of competition.

(316) First, the Commission analysed the profitability of both cooperating users and considered that they are in a difficult economic situation. However, even though users would experience an increase in the cost of sourcing decor paper from China, the difference between the dumping and injury margin (around 8 percentage points, on average) is not such that a duty set at the lower level of the injury margin would lead to a significant improvement in their economic situation. Furthermore, since there was no cooperation from other users, the situation of the two users may not be representative for other users that are active in other market segments such as impregnators and laminators. In fact, the Commission recalled that no impregnator or laminator came forward in this investigation.

(317) Second, although the possibility of sourcing decor paper from other third countries is limited, the Union industry was not yet running at full capacity and would be able to meet future market demand, and future increases in demand, also in light of foregone post-IP investments by the Union producers in additional production capacity.

(318) In particular, one of the sampled Union producers reported a foregone investment in the installation of a pre-impregnated paper machine. This would not only add additional capacity but would also diversify the sources of pre-impregnated decor paper and increase competition in the Union market. This is important as one of the users, Interprint, submitted during its hearing that such specific type of decor paper is produced by only two companies worldwide.

(319) The imposition of duties would thus allow the Union industry to invest in expansion capacity and diversification of their product mix, thereby giving more diversification options also for users. Therefore, in case anti-dumping measures are imposed at the level of the dumping margins, the impact on unrelated importers and traders would be limited, and not to the extent that it would outweigh the benefits for the Union industry, which needs this level of protection in view of the injury established caused by dumped imports from China and taking into account the above raw material distortions.

7.1.1.4. Other factors

(320) LamiGraf argued that the differences in raw material costs between China and the EU are influenced by various factors which should be taken into account for the assessment for the level of measures, and that the non-application of the lesser duty rule requested by the complainants would restrict competitive supply of decor paper within the Union. The Kastamonu Group submitted that the imposition of any anti-dumping measures on imports of decor paper from China would limit the availability of an adequate supply of decor paper to meet the needs of EU users.

(321) The Commission recalled that the injury established caused by dumped imports from China and taking into account the above raw material distortions warrants the imposition of measures. Contrary to the claim of LamiGraf, competitive supply would be restricted in the absence of measures, as the Union industry would no longer be able to meet the demand of the user industry which requires a viable economic situation of the Union industry, which cannot be achieved in case the level playing field would not be restored.

7.1.2. *Conclusion on Union interest under Article 7(2b) of the basic Regulation*

(322) Having assessed all pertinent information to this investigation, the Commission concluded that it is in the Union interest to determine the amount of provisional duties in accordance with Article 7(2a) of the basic Regulation. In view of the analysis set out above, the Commission concluded that, in accordance with Article 7(2a) of the basic Regulation, it is in the interest of the Union to set the level of the provisional duties on the basis of the level of dumping, subject to the further considerations in the context of Article 21 set out in Section 7.2 below.

7.2. **Union interest under Article 21 of the basic Regulation**

7.2.1. *Interest of the Union industry*

(323) It is recalled that the Union industry consists of seven producers, employing more than 2 000 workers during the investigation period.

(324) Notwithstanding the fact that the Union industry in 2020 faced an economic downturn due to the market contraction caused by the COVID-19 pandemic, followed by a sharp rebound in profitability, sales volumes, cash flow, and return on investment in 2021, the sales and profitability of the Union industry deteriorated significantly during the second half of the period considered, with a consequent negative impact on its production volumes, investments, and cash flow. The Commission concluded at this stage that the Union industry suffered material injury caused by the dumped imports from the country concerned (see recital (174) above).

(325) The absence of measures is likely to have a significant negative effect on the Union industry in terms of further price suppression, lower sales and further deterioration of the profitability. The measures will allow the Union industry to reach its potential on the Union market, undertake foregone investments, and improve profitability to levels to be expected under normal conditions of competition.

(326) Consequently, the Commission concluded that the imposition of measures is in the interest of the Union industry and its upstream suppliers.

7.2.2. *Interest of users and unrelated importers and traders*

(327) As explained in recital (312), no unrelated importer or trader came forward to participate in the investigation. Two companies initially came forward as unrelated importers, but given the degree of processing of decor paper, they were both considered to be users. Both companies operated as decor paper printers. As explained in recital (316), no impregnator or laminator came forward in this investigation, and the Commission was thus unable to estimate the impact of duties on these types of users.

(328) The Commission verified the questionnaire replies of the two cooperating users and held hearings with both of them (recital (6)). Decor paper represented around [75–85] % of their total raw material costs and around [40–50] % of their total cost of production. On average, both printers sourced between [15–25] % of the product under investigation from the PRC and represented an estimated [10–20 %] market share in terms of Union consumption of the product under investigation. Both users also demonstrated that they were operating at a loss in the investigation period. The Commission estimated that if duties are imposed at the proposed level, and all other things remaining equal, their cost of production would increase by a weighted average of less than 2 % ([130]). Moreover, as already acknowledged in recital (314), although the possibility of sourcing decor paper from other third countries is limited, the imposition of duties would not bring a risk of scarcity on the Union market of the product under investigations as the Union industry is not running at full capacity and would be able to meet increased market demand.

(329) Therefore, the Commission confirmed its assessment that the impact of duties on users would be limited, and not to the extent that it would outweigh the benefits for the Union industry (recital (319)).

7.2.3. *Conclusion on the Union interest*

(330) The effects of the measures on the Union producers would be positive. The risks of a potential negative impact on users and unrelated importers/traders, in particular with respect to supply, would be mitigated by the free available capacity of the Union industry and additional future production capacity expansion. The restoration of fair competition and of a level playing field, in the absence of dumped imports, would benefit the healthy development of the overall market and will allow the Union industry to comply with the costs arising from Union and Member State obligations under international agreements.

(331) On the basis of the above, the Commission provisionally concluded that there were no compelling reasons to come to the conclusion that it was not in the Union interest to impose measures on imports of decor paper originating in the PRC.

8. **PROVISIONAL ANTI-DUMPING MEASURES**

(332) On the basis of the conclusions reached by the Commission on dumping, injury, causation, level of measures and Union interest, provisional measures should be imposed to prevent further injury being caused to the Union industry by the dumped imports.

(333) Provisional anti-dumping measures should be imposed on imports of décor paper originating in the People's Republic of China, in accordance Article 7(2a) of the basic Regulation. The Commission concluded in recital (322) that the appropriate level to remove injury should be the dumping margin.

([130]) The increase in cost of production was calculated by taking into account, where possible, the different dumping margins of the Chinese exporting producers.

(334) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Country	Company	Provisional anti-dumping duty
The People's Republic of China	Hangzhou Huawang New Material Technology Co., Ltd	34,9 %
The People's Republic of China	Kingdecor (Zhejiang) Co., Ltd.	31,0 %
The People's Republic of China	Other cooperating companies	33,6 %
The People's Republic of China	All other imports originating in the PRC	34,9 %

(335) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to these companies. These duty rates are exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entities. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other imports originating in the PRC'. They should not be subject to any of the individual anti-dumping duty rates.

(336) To minimise the risks of circumvention due to the difference in duty rates, special measures are needed to ensure the application of the individual anti-dumping duties. The application of individual anti-dumping duties is only applicable upon presentation of a valid commercial invoice to the customs authorities of the Member States. The invoice must conform to the requirements set out in Article 1(3) of this regulation. Until such invoice is presented, imports should be subject to the anti-dumping duty applicable to 'all other imports originating in the PRC'.

(337) While presentation of this invoice is necessary for the customs authorities of the Member States to apply the individual rates of anti-dumping duty to imports, it is not the only element to be taken into account by the customs authorities. Indeed, even if presented with an invoice meeting all the requirements set out in Article 1(3) of this regulation, the customs authorities of Member States must carry out their usual checks and may, like in all other cases, require additional documents (shipping documents etc.) for the purpose of verifying the accuracy of the particulars contained in the declaration and ensure that the subsequent application of the lower rate of duty is justified, in compliance with customs law.

(338) Should the exports by one of the companies benefiting from lower individual duty rates increase significantly in volume after the imposition of the measures concerned, such an increase in volume could be considered as constituting in itself a change in the pattern of trade due to the imposition of measures within the meaning of Article 13(1) of the basic Regulation. In such circumstances and provided the conditions are met an anti-circumvention investigation may be initiated. This investigation may, inter alia, examine the need for the removal of individual duty rate(s) and the consequent imposition of a country-wide duty.

9. **REGISTRATION**

(339) As mentioned in recital (3), the Commission made imports of the product concerned subject to registration. Registration took place with a view to possibly collecting duties retroactively under Article 10(4) of the basic Regulation.

(340) In view of the findings at provisional stage, the registration of imports should cease/be discontinued.

(341) No decision on a possible retroactive application of anti-dumping measures has been taken/can be taken at this stage of the proceeding.

10. **INFORMATION AT PROVISIONAL STAGE**

(342) In accordance with Article 19a of the basic Regulation, the Commission informed interested parties about the planned imposition of provisional duties. This information was also made available to the general public via DG TRADE's website. Interested parties were given three working days to provide comments on the accuracy of the calculations specifically disclosed to them.

(343) Kingdecor commented that the Commission should not take into account a duplicate line in the TbyT for its calculation. Further, the volume of defective products for which credit notes were issued should be deducted from the respective invoices and lead to a recalculation of the dumping margin. Finally, the Commission should apply a different benchmark value for TiO2 and recalculate the dumping margin accordingly.

(344) The Commission confirms that it had already excluded the duplicate line, which a 0 value from the calculation. The second and third comments do not refer to a clerical error and will be addressed at definitive stage.

11. **FINAL PROVISIONS**

(345) In the interests of sound administration, the Commission will invite the interested parties to submit written comments and/or to request a hearing with the Commission and/or the Hearing Officer in trade proceedings within a fixed deadline.

(346) The findings concerning the imposition of provisional duties are provisional and may be amended at the definitive stage of the investigation,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is imposed on imports of decor paper, currently falling under CN codes ex 4802 54 00, ex 4802 55, ex 4805 91 00 and ex 4811 60 00 (TARIC codes 4802 54 00 10, 4802 55 15 10, 4802 55 25 10, 4802 55 30 10, 4802 55 90 10, 4805 91 00 10, and 4811 60 00 10), with the following characteristics:

— weighing 30-150 g/m^2; having an ash content between 5 % and 50 %;

— having a Klemm absorbency of at least 12 millimetres per 10 minutes or a resin pick-up of 20 % to 200 %;

— having a wet tensile strength of 6 to 12 Newton (N) per 15 millimetres;

— having a Gurley porosity of 3 to 80 seconds per 100 millilitres;

— having a smoothness of 20 to 300 according to the Bekk method;

— in reels with a width up to 300 centimetres

— whether or not pre-impregnated with a combination of latices or natural binders (like starch);

— excluding wallpaper and similar wallcoverings;

— excluding papers saturated with water-based melamine, urea, phenol or any thermosetting, thermoplastic resin solutions,

and originating in the People's Republic of China.

2. The rates of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 and produced by the companies listed below shall be as follows:

Country of origin	Company	Provisional anti-dumping duty	TARIC additional code
The People's Republic of China	Hangzhou Huawang New Material Technology Co., Ltd	34,9 %	89LJ
The People's Republic of China	Kingdecor (Zhejiang) Co., Ltd.	31,0 %	89LK
The People's Republic of China	Other cooperating companies listed in Annex	33,6 %	
The People's Republic of China	All other imports originating in the PRC	34,9 %	8999

3. The application of the individual duty rates specified for the companies mentioned in paragraph 2 shall be conditional upon presentation to the Member States' customs authorities of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: *'I, the undersigned, certify that the (volume) of (product concerned) sold for export to the European Union covered by this invoice was manufactured by (company name and address) (TARIC additional code) in [country concerned]. I declare that the information provided in this invoice is complete and correct.'* Until such invoice is presented, the duty applicable to all other imports originating in the People's Republic of China shall apply.

4. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security deposit equivalent to the amount of the provisional duty.

5. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

Article 2

1. Interested parties shall submit their written comments on this regulation to the Commission within 15 calendar days of the date of entry into force of this Regulation.

2. Interested parties wishing to request a hearing with the Commission shall do so within 5 calendar days of the date of entry into force of this Regulation.

3. Interested parties wishing to request a hearing with the Hearing Officer in trade proceedings are invited to do so within 5 calendar days of the date of entry into force of this Regulation. The Hearing Officer may examine requests submitted outside this time limit and may decide whether to accept to such requests if appropriate.

Article 3

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Implementing Regulation (EU) 2024/2718.

2. Data collected regarding products which entered the EU for consumption not more than 90 days prior to the date of the entry into force of this regulation shall be kept until the entry into force of possible definitive measures, or the termination of this proceeding.

Article 4

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 13 February 2025.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

Other cooperating companies

Country	Company	TARIC additional code
The People's Republic of China	SUNSHINE OJI (Shouguang) Specialty Paper Co., Ltd	89LL
The People's Republic of China	ZIBO OU-MU Special Paper CO., Ltd	89LM
The People's Republic of China	WINBON TECHNOCEL New Materials Co., Ltd.	89LN