COMMISSION IMPLEMENTING REGULATION (EU) 2026/1914

of 5 August 2026

imposing a provisional countervailing duty on imports of certain lightweight thermal 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) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union [1] ('the basic Regulation'), and, in particular, Article 15 thereof,

Whereas:

1. PROCEDURE

1.1. Initiation

(1) On 7 November 2025, the European Commission ('the Commission') initiated an anti-subsidy investigation with regard to imports of certain lightweight thermal paper ('LWTP') originating in the People's Republic of China ('the country concerned' or 'the PRC') on the basis of Article 10 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 24 September 2025 by the European Thermal Paper Association ('ETPA') and its members, producers of lightweight thermal paper ('the complainants'). The complaint was made on behalf of the Union industry of certain lightweight thermal paper in the sense of Article 10(6) of the basic Regulation. The complaint contained evidence that the producers of the product under investigation from the country concerned had benefitted from a number of subsidies granted by the Government of the People's Republic of China.

(3) Prior to the initiation of the anti-subsidy investigation, the Commission notified the Government of China ('GOC') [3] that it had received a properly documented complaint and invited GOC for consultations in accordance with Article 10(7) of the basic Regulation. Consultations were held on 5 November 2025. However, no mutually agreed solution was reached.

1.2. Registration

(4) By Commission Implementing Regulation (EU) 2026/313 [4], the Commission made imports of the product concerned subject to registration for the purpose of ensuring that, should the investigation result in findings leading to the imposition of countervailing duties, those duties can, if the necessary conditions are fulfilled, be levied retroactively on the registered imports in accordance with the applicable legal provisions ('the registration Regulation').

[1] OJ L 176, 30.6.2016, p. 55, ELI: http://data.europa.eu/eli/reg/2016/1037/oj.

[2] Notice of initiation of an anti-subsidy proceeding concerning imports of certain lightweight thermal paper, originating in the People's Republic of China (OJ C, C/2025/5911, 7.11.2025, ELI: http://data.europa.eu/eli/C/2025/5911/oj).

[3] The term 'GOC' is used in this Regulation in a broad sense, including all Ministries, Departments, Agencies and Administrations at central, regional or local level.

[4] Commission Implementing Regulation (EU) 2026/313 of 6 February 2026 making imports of lightweight thermal paper originating in the People's Republic of China subject to registration (OJ L, 2026/313, 9.2.2026, ELI: http://data.europa.eu/eli/reg_impl/2026/313/oj).

1.3. **Interested parties**

(5) 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 and users, as well as associations known to be concerned, about the initiation of the investigation and invited them to participate.

(6) 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.

(7) The Commission did not receive any comments on initiation or request for a hearing.

1.4. **Sampling**

(8) In the Notice of Initiation, the Commission stated that it might sample the interested parties in accordance with Article 27 of the basic Regulation.

1.4.1. *Sampling of Union producers*

(9) In its 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 the largest representative volume of sales and of production of the like product in the Union in the investigation period, which could reasonably be investigated within the time available.

(10) This sample consisted of three Union producers in two different Member States. Considering the data available at initiation stage, the sampled Union producers accounted for over 80 % of the estimated total production in the Union and of the sales of all Union producers of the like product on the Union market. The Commission invited interested parties to comment on the provisional sample. No comments were received. The sample was confirmed on 11 November 2025. The sample is representative of the Union industry.

1.4.2. *Sampling of importers*

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

(12) No unrelated importer provided the requested information and agreed to be included in the sample. Consequently, the Commission decided that sampling was not necessary.

1.4.3. *Sampling of exporting producers in the PRC*

(13) To decide whether sampling was 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 People's Republic of China to the European Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.

(14) Four exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 27(1) of the basic Regulation, the Commission selected a sample of three (groups of) companies which could reasonably be investigated within the time available. The selection of the sample was based on the largest representative volume of production, sales or exports to the Union during the investigation period which can reasonably be investigated within the time available.

(15) In accordance with Article 27(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. The Commission received no comments on the original selection of the sample.

(16) In view of the above, the Commission decided to confirm its provisional sample:

— Henan Xianhe Special App Co., Ltd ('Xianhe')

— Gold East Paper Co., Ltd ('GEP')

— Guangdong Guanhao High Tech Co. ('GGHT').

(17) Based on the information available at that stage the sample accounted for 41 % of the estimated Chinese production of LWTP and covered the entire estimated total export volume to the Union from the PRC in the investigation period.

(18) On 11 December 2025 the Commission was informed by Xianhe that the company found that their unrelated domestic traders cut the jumbo rolls of thermal paper into small rolls. As these small rolls are not within the scope of the investigation, the company concluded that in fact they had not exported the product concerned to the EU during the investigation period and would thus not respond to the questionnaire. ([5])

(19) On 5 January 2026 GEP also informed the Commission that it would not submit a questionnaire reply and would not cooperate in the investigation. ([6])

(20) At that stage of the investigation, there was insufficient time to select a new sample of exporting producers. In addition, given the low level of exports of the remaining fourth exporting producer (Henan Jianghe) who provided a sampling reply (less than 2 % of the total Chinese exports of the product concerned to the Union), any change to the sample would not have resulted in a sufficiently representative sample. Therefore, the Commission abandoned sampling altogether and applied Article 28 of the basic Regulation ([7]).

(21) The Commission thus granted individual examination to GGHT as the only company that provided a proper and timely questionnaire response that could be verified in accordance with Article 26(1) of the basic Regulation. In view of the low volume of exports of this company (4 % of total Chinese exports of the product concerned to the Union), this company was not considered representative for all other exporting producers, hence duty levels for all other companies could not be based on the findings for this company, but would be based on best facts available.

1.4.4. *Questionnaire replies and verification visits*

(22) The Commission sent questionnaires to the GOC, the remaining cooperating exporting producer, the three sampled Union producers, the complainants, the known importers and to users. The questionnaires for the companies were also made available online on the day of initiation.

(23) The Commission received questionnaire replies from the GOC, the exporting producer, the three sampled Union producers and ETPA on behalf of the Union industry.

(24) The Commission sought and verified all the information deemed necessary for a determination of subsidisation, resulting injury and Union interest. Verification visits pursuant to Article 26 of the basic Regulation were carried out at the premises of the following parties:

Union producers

— Jujo Thermal Oy, Kauttua, Finland

— Koehler Paper SE, Oberkirch, Germany

— Mitsubishi HiTec Paper Europe GmbH, Bielefeld, Germany

([5]) The email of Henan Xianhe Special App Co., Ltd., announcing non-cooperation is available in the file under save number t25.012076.
([6]) The email of Gold East Paper Co., Ltd announcing non-cooperation is available in the file under save number t26.000023.
([7]) The Note on sample failure is available in the file under save number t26.000206.

Exporting producers in the PRC

— GGHT Group:

  — Foshan Huaxin Development Co., Ltd., Zhuhai, China

  — Hongta Renheng Packaging Co., Ltd., Zhuhai, China

  — Zhuhai Hongta Renheng New Materials Co., Ltd., Zhuhai, China

  — Guangdong Guanhao High-Tech Co., Ltd., Zhanjiang, China

  — China Paper Investment Co., Ltd., Beijing, China

  — Chengtong Finance Co., Ltd., Beijing, China.

(25) The questionnaire reply submitted by ETPA on behalf of the Union industry was verified at the premises of its legal representative in Brussels.

(26) An update provided by Koehler Paper SE after the verification visit was subject to a remote cross-check verification.

1.5. Investigation period and period considered

(27) The investigation of subsidisation and injury covered the period from 1 October 2024 to 30 September 2025 ('the investigation period' or 'IP'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2022 to the end of the investigation period ('the period considered').

2. PRODUCT UNDER INVESTIGATION

2.1. Product under investigation

(28) The product under investigation is lightweight thermal paper (LWTP), defined as thermal paper having a basis weight of 65 g/m^2 or less, which is sold on rolls of a width of 20 cm or more, weighing 50 kg or more (including paper) and with a diameter of 40 cm or more ('jumbo rolls'); with or without base coat on one or both sides; with a physical or chemical thermo-sensitive layer (i.e. a layer that reveals an image when heat is applied) on one or both sides; and with or without top coat ('the product under investigation'), currently classified under CN codes ex 4809 90 00, ex 4811 90 00, ex 4816 90 00 and ex 4823 90 85 (TARIC codes 4809 90 00 10, 4811 90 00 10, 4816 90 00 10 and 4823 90 85 20).

(29) Unless it has a physical thermo-sensitive layer, LWTP is produced with a chemical developer, be it phenolic or without any phenol (phenol-free LWTP). All the types are concerned by the present investigation.

(30) Lightweight thermal paper is mainly used in point-of-sale (POS) applications such as the receipts issued by retail.

2.2. Product concerned

(31) The product concerned is the product under investigation, originating in the People's Republic of China.

2.3. Like product

(32) 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,

— the product 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.

(33) The Commission decided at this stage that those products are therefore like products within the meaning of Article 2(c) of the basic Regulation.

3. SUBSIDY

3.1. Introduction: Presentation of Government plans, projects and other documents

(34) Before analysing the alleged subsidisation in the form of subsidies or subsidy programmes, the Commission assessed government plans, projects, and other documents, which were relevant for the analysis of the investigated subsidy programmes.

(35) As a preliminary remark, the Commission pointed out that China's overall economic setup is characterised by a particularly strong role of the State, with the State authorities being in turn controlled by the Chinese Communist Party ('CCP'), the ruling political entity of the country. As a result, businesses in China operate in a specific environment which – unlike the Western economies where market forces represent the dominant organizing principle – features numerous mechanisms that provide the GOC with substantial degree of control over any aspect of the economic activity in the country. This tight control prevents economic operators from acting as rational market operators seeking to maximise profits, and in fact forces them to act as an arm of the government in implementing its policies and plans.

(36) The following features are most significant in transmitting the GOC policy decisions into the day-to day business conduct of economic operators: (i) doctrine of socialist market economy; (ii) leadership of the CCP; (iii) system of industrial planning; (iv) financial system.

(37) The socialist market economy doctrine, embodied in the Chinese Constitution ([8]), grants the State an inherent and all-encompassing control over the economy, which goes way beyond the traditional standards of setting a regulatory framework within which market players are free to operate. In particular, according to Article 6 of the Constitution: '*The basis of the socialist economic system of the People's Republic of China is socialist public ownership of the means of production* […]. *In the primary stage of socialism, the State upholds the basic economic system in which the public ownership is dominant and diverse forms of ownership develop side by side and keeps to the distribution system in which distribution according to work is dominant and diverse modes of distribution coexist*.' Moreover, pursuant to Article 15 of the Constitution: '*The State practices socialist market economy. The State strengthens economic legislation, improves macro-regulation and control. The State prohibits in accordance with law any organization or individual from disturbing the socio-economic order.*' Moreover, Article 11 of the Constitution assigns to the State an interventionist role that goes beyond protecting the rights and interests of the non-public sectors, in that the State shall '*encourages, supports and guides the development of the non-public sectors of the economy and, in accordance with law, exercises supervision and control over the non-public sectors of the economy*.'

(38) These constitutional fundamentals are reflected in all relevant pieces of legislation ([9]) which emphasize the socialist market economy as the leading principle on which the Chinese economy is based. Moreover, the State, under the leadership of the CCP, indeed makes extensive use of a variety of instruments – both incentivizing and restricting – to guide the economy towards socialist modernization, i.e. towards objectives (including industrial policy objectives) set by the GOC.

([8]) Constitution of the PRC, adopted on 4 December 1982, as amended; available at: http://en.moj.gov.cn/2021-06/22/c_634901.htm.

([9]) See for example Articles 1 and 206 of the Civil Code of the PRC, according to which: '*This Law is formulated* […] *for the purposes of protecting the lawful rights and interests of the persons of the civil developing socialism with Chinese characteristics, and carrying forward the core socialist values*' and '[t]*he State upholds and improves the fundamental socialist economic systems, such as the ownership system under which diverse forms of ownership co-develop with public ownership as the mainstay, the distribution system under which multiple forms of distribution co-exist with distribution according to work as the mainstay, as well as the system of socialist market economy. The State consolidates and develops the public sector of the economy, and encourages, supports, and guides the development of the non-public sector of the economy. The State implements a socialist market economy* […]'; available at: https://www.trans-lex.org/601705/_/civil-code-of-the-peoples-republic-of-china-/. Similarly, according to Article 1 of the Company Law of the PRC: '*The Company Law of the People's Republic of China* […] *has been enacted in order to standardize the organization and activities of companies, protect the lawful rights and interests of companies, shareholders and creditors, safeguard the social and economic order and promote the development of the socialist market economy*'; available at: http://mg.mofcom.gov.cn/article/policy/201910/20191002905610.shtml.

(39) The leadership of the CCP – while formally enshrined in the country's Constitution ([10]), as well as in relevant secondary legislation and in the Constitution of the Party ([11]) itself – takes various forms in practice; in particular, as separation of powers does not exist in China and the Party exercises full control over the legislative ([12]), executive ([13]), as well as judicial ([14]) branches of the State apparatus; moreover, the Party oversees crucial areas of the economy, including the financial sector and industrial sectors considered strategic, notably through ownership and/or by appointing and rotating key personnel; in addition, setting up Party cells is mandatory in all enterprises with more than a three members of the Party ([15]), state-owned and private alike, and Party structures within undertakings claim frequently the right to participate in operational decision-making of companies. All these controlling mechanisms provide the CCP with a tight grip over the country's economy and allow the Party to formulate and implement its economic policies in line with its strategic considerations and priorities.

(40) 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 and local governments must focus on. Relevant plans exist at all levels of government and cover all economic sectors. The objectives set by the planning instruments are of binding nature and the authorities at each administrative level monitor the implementation of the plans by the corresponding lower level of government. Overall, the system of planning in the PRC results in resources being allocated to sectors designated by the government as strategic or otherwise politically important, rather than being allocated in line with market forces ([16]).

(41) To allocate resources in line with the GOC's policy priorities, instrumentalising the financial sector is of essence for the Chinese authorities. China's financial system remains dominated by the banking sector and the State controls the banking sector (see also Section 3.6.1) through ownership (see recital (122) to (124)), as well as through personal ties. Accordingly, the GOC, in its capacity as the majority/controlling shareholder, has the power to appoint the most important positions within the management state-owned policy banks (see recital (132)), as well as of banks partially or fully owned by the State itself or by State-held legal persons.

(42) Moreover, articles of association of major Chinese banks regularly contain a dedicated chapter on the creation of a Party committee ([17]). For example, according to the articles of association of the Industrial and Commercial Bank of China ('*ICBC*'), '*the chairman of the board of directors of the Bank and the secretary of the Party Committee shall be the same person*' ([18]). Article 53 lists the duties of the Party committee, including the monitoring of the practical implementation of Party and State decisions in the bank. The Party committee is also playing a role in the selection

([10]) See Article 1 of the Constitution: '*The socialist system is the fundamental system of the People's Republic of China. Leadership by the Communist Party of China is the defining feature of socialism with Chinese characteristics. It is prohibited for any organization or individual to damage the socialist system*'.

([11]) See the General Program of the CCP Constitution, according to which: '*Leadership of the Communist Party of China is the most essential attribute of socialism with Chinese characteristics, and the greatest strength of this system. The Party is the highest force for political leadership. The Party exercises overall leadership over all areas of endeavour in every part of the country*'; available at: https://english.news.cn/20221026/d7fff914d44f4100b6e586372d4060a4/c.html (accessed on 3 June 2024).

([12]) Concerning the composition of the National People's Congress and its relation to the Chinese Communist Party, see for example at: https://npcobserver.com/about-npc/.

([13]) See at: https://www.gov.cn/.

([14]) See Article 12 of the Judges Law of the PRC which provides that judges must '[u]*phold* […] *the Constitution of the People's Republic of China, the leadership of the Communist Party of China, and the socialist system*'; available at: www.npc.gov.cn/englishnpc/c23934/202012/9c82d5dbefbc4ffa98f3dd815af62dfb.shtml#:~:text=Article%201%3A%20This%20Law%20is,in%20accordance%20with%20the%20law.

([15]) See Article 30 of the CCP Constitution: '*A primary-level Party organisation shall be formed in any enterprise,* […], *government organ,* […] *and any other primary-level* [organisation where people work] *where there are three or more full Party members*'.

([16]) Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 20 December 2017, SWD(2017) 483 final/2 (the 'China Report of 2017') – Chapter 4, p. 41-42, 83. See also the updated 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 (the 'China Report') – Chapter 4, pp. 57-59, 99.

([17]) Articles of association of the ICBC, Chapter 6, Articles 52-53; available at: http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2017/gszc_en.pdf. (last checked on 23.6.2026).

([18]) Ibid., Article 52.

and evaluation of personnel, together with the board of directors. Finally, the Party committee is to be involved in the discussion of '*major operational and management issues and major issues concerning employee interests and put forth comments and suggestions*' ([19]). Moreover, according to the provisions concerning the board of directors, the Party committee has to be consulted before material issues are decided upon ([20]). The articles of association of the Agricultural Bank of China contain identical language on establishing the Party committee in Article 58 and on the Committee's involvement in the discussion of major issues in Article 161 ([21]).

(43) Besides GOC's ability to control the banking sector through ownership and organisational setup, the GOC exercises control over the sector also in view of the applicable Chinese legislation (see Section 3.6.1.4 for the analysis of the relevant regulatory documents) which requires the banks to align with the country's industrial policy objectives when making financial decisions.

(44) In conclusion, all these elements show that the structure of the legal and political system in the PRC relies on a tight grip by the government on all aspects of the economy and trade, as they are centrally managed and monitored by the GOC. The economic operators are integral part of this system not as free market actors aiming to take business decisions purely driven by economic logic and profit maximisation, but rather as one of the integral actors to implement the overarching policies and their specific objectives set by the GOC at central level.

3.2. **Government plans and policies to support the LWTP and paper-making industry**

(45) Against this background, the Commission analysed a number of industrial policy documents which have been successively put in place since at least 2005 and which are listed below, in order to establish whether subsidies or subsidy programmes under assessment form part of the implementation of the GOC's central planning to encourage the LWTP industry.

(46) LWTP is an integral part of the paper-making sector, together with other types of paper and wood pulp. In China, the paper-making sector is coordinated by the China Paper Association (CPA).

3.2.1. *Decision No 40 of the State Council on Promulgating and Implementing the 'Temporary Provisions on Promoting the Industrial Structure Adjustment'*

(47) Decision No 40 of the State Council of the People's Republic of China is a legal document issued in 2005 aiming to promote industrial structure adjustments in China by encouraging the development of high-tech industries and the elimination of outdated production capacity.

(48) The 'Guidance Catalogue for the Industrial Structure Adjustment', which is an implementing measure of Decision No 40, sets the basis for guiding investment directions by designating industrial sectors which should benefit from privileged access to credit. It also guides the GOC to administer investment projects and to formulate and enforce policies on public finance, taxation, credit, land, import and export. The National Development and Reform Commission ('NDRC') released, and later amended, a guidance catalogue in 2019 and 2024. The Commission identified there a clear reference to the integrated forestry and paper production lines to which LWTP belongs ([22]).

([19]) Ibid., Article 53 (3).
([20]) Ibid., Article 144.
([21]) Articles of association of the ABC; available at: https://www.abchina.com/en/investor-relations/corporate-announcements/announcements/201811/W020181126632885896610.pdf. (last checked on 23.6.2026).
([22]) https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf – see page 52.

3.2.2. *Made in China 2025*

(49) In 2015, the GOC published its long-term comprehensive industrial strategy known as Made in China 2025 ([23]). This strategy sets milestones for upgrading the country's selected manufacturing sectors by 2020 and 2025 and reiterated the GOC's intention to use in this regard improved financial support policies, including the direction of funding through state owned banks ('SOBs') to overseas expansion of the manufacturing industry, as well as for the expansion of fiscal and other taxation support. Crucially, the Made in China Guidelines state that '*funding [will be] allocated to projects that cannot get funding from the market and need central support*.' Thus, there is substantial government support to advance the development of identified sectors of the economy through the direction of resources in implementation of policy goals ([24]).

(50) Under the 'Made in China 2025' Initiative, the Chinese light industry, to which the paper industry belongs, is eligible for support to finance its technological upgrading, the acquisition of modern production equipment, and the acceleration of its green transformation.

(51) In this regard, through the Made in China 2025 programme, the GOC supports the rapid development of the paper-making industry, while also promoting research and development (R&D) and the industrialisation of the sector.

3.2.3. *The Chinese 14th national Five-Year Plan*

(52) Given the nature of the Chinese planning system, higher level plans – such as the 12th, 13th or 14th national Five Years Plans ('FYPs') – are to be followed-up and implemented by all relevant authorities. The national plans set out explicit obligations in that respect, such as Art. LXV of the 14th national FYP ([25]), according to which the GOC '*will strengthen the organization, coordination, and supervision of the implementation of this plan and establish and improve planning and implementation monitoring and evaluation, policy assurance, and assessment and supervision mechanisms*.' Accordingly, lower-level authorities '*must create a favourable policy environment, institutional environment, and legal environment. The annual plans shall implement the development goals and key tasks proposed in this plan*' ([26]).

(53) Crucially, the GOC unequivocally commits to provide financial support, as well as support in the form of other factors of production – such as land – to projects and sectors identified in the Plan: '[w]*e will adhere to the principle of the plan setting the direction, with fiscal spending as a guarantee, finance as support, and coordination with other policies.* […] *We will persist in making public fiscal spending obey and serve public policy, enhance financial support for major national strategic tasks, strengthen the coordination of mid-term financial plans and annual budgets, government investment plans, and the implementation of this plan, and prioritize central fiscal funds for the major tasks and major engineering projects identified in this plan. We will insist that projects follow the plan and funds and factors of production follow projects, develop a list of major engineering projects based on this plan, simplify the approval procedures for the projects in the list, and ensure that the priority is given to planning site selection, land supply, and capital needs. The land needs for individual major engineering projects are guaranteed by the state in a unified manner*' ([27]).

(54) The 14th FYP identifies the papermaking industry as a key (encouraged) industry by stating that: '*We will transform and upgrade traditional industries, promote the optimization and structural adjustment of raw material industries such as petrochemicals, steel, nonferrous metals, and building materials, expand the supply of high-quality* products *in sectors such as light industry and textiles, speed up the transformation and upgrading of enterprises in* ***key industries*** *such as the chemical industry and* ***papermaking****, and improve the green manufacturing system*' (emphasis added) ([28]).

([23]) See at: https://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm; English translation available at: https://cset.georgetown.edu/wp-content/uploads/t0432_made_in_china_2025_EN.pdf.

([24]) ISDP, 'Made in China 2025', June 2018, https://isdp.eu/publication/made-china-2025/.

([25]) See: https://www.gov.cn/xinwen/2021-03/13/content_5592681.htm. An English translation is available at: https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf.

([26]) See Art. LXV, Section 1 of the Plan.

([27]) See Art. LXV, Section 3 of the Plan.

([28]) See Art. VIII, Section 3 of the Plan.

3.2.4. *The 14th Five-Year Development Plan for Development of the Paper Industry*

(55) The PRC has also published a specific FYP for the paper industry. This plan categorises the paper-making industry sector as '*an important basic raw material industry closely related to national economic and social development and characterized by sustainability*' and the level of consumption of paper is described as '*an important indicator of a country's level of economic development and civilization*'.

(56) This FYP confirms the forest-pulp-paper sector's objectives in the framework of the Chinese economy as a whole, with the main targets of structural adjustment, improving quality, and technological innovation with the aim of export expansion. The plan aims also at adjusting the raw material structure in order to decrease dependence from imported pulp and focuses on integrated forestry-pulp-paper development.

(57) The plan leaves no room for free market development, setting clear environmental and technical goals for the industry as well as defining targets (up to 2035) for national output of paper production, proportion of virgin pulp used, biomass energy utilization, ratio of consumption of pulp and utilities, and pollution level.

3.3. **LWTP as encouraged industry**

(58) The GOC claimed that LWTP is not an encouraged industry as the product is not listed in the Catalogue of Encourage Industries for Foreign Investments ([29]) 'Catalogue', 14th FYP, or in the 'Made in China 2025' document.

(59) On these grounds, the GOC considered that schemes relating to preferential treatment should not be investigated due to the lack of specificity. The GOC also observed that the fact that some of the upstream and downstream industries belong to encouraged industries does not have an impact on the status of the LWTP industry itself and that schemes relating to the provision of inputs for less than adequate remuneration should not be investigated either.

(60) The investigation revealed, however, that LWTP is a part of the paper-making sector which itself is an encouraged industry as referred to in Decision No 40 (see recital (47) to (48), the Made in China 2025 document (see recital (50) and in the 14th FYP see recital (54).

(61) With regard to the Catalogue, 'papermaking chemicals' are listed as an encouraged manufacturing industry ([30]). The list of encouraged industries further includes:

— 'Manufacturing of complete sets of a new paper (including pulp) making machines' ([31]). These are obviously used to produce LWTP and confirm the longstanding strategy of the PRC to subsidise papermaking machines.

— 'Manufacturing of water-saving industrial equipment for high-water consumption industries such as the steel, **papermaking**, textile, petrochemical, chemical, and metallurgical industries' (emphasis added) ([32]). The production of LWTP requires significant volumes of water in several stages of the production (e.g., the manufacturing of the base paper where water is needed first for the paper pulp, then for the wire, and finally to drain through the wire to form a web or sheet on the wire). Therefore, water-saving industrial equipment provides a major benefit to the LWTP producers.

— 'Production of high-performance coatings, adhesives, industrial coatings, high solids coatings, water-based, powder, radiation curing, solvent-free, and other low VOC content industrial coatings and supporting resins, water-based industrial coatings and auxiliary water-based resins (including high-end butyl acrylate and high-end octyl acrylate)' ([33]). High-performance coatings play a crucial role in the production of LWTP. These coatings are designed to enhance the paper's functionality and durability.

([29]) Latest 2022 edition – available at: https://english.shanghai.gov.cn/cmsres/70/70c4357399aa4e49b339a0cd152ddc44/54223085d64d7.
([30]) See page 4.
([31]) See p. 13, point 200.
([32]) See p. 16, point 253.
([33]) See p. 5, point 69.

— 'Thermal management and control systems' ([34]). These have also a vital role in the production of LWTP as they ensure that the coating is applied at a consistently correct temperature and humidity level to achieve the desired image quality.

(62) There are also references to LWTP or paper-making sector being an encouraged industry in some documents at provincial and municipal level.

(63) The Guangdong Province 14th FYP ([35]) in its Annex 2 (Compilation of Major Construction Projects in the 14th Five-Year Plan of Guangdong Province) calls to '*Accelerate the* formation *of an innovation and creativity centre, centred on Guangzhou and Shenzhen, and a manufacturing base network focusing on the coastal economic belt and various distinctive industrial clusters. Promote innovative development models in industries such as textiles and apparel, plastics, leather, daily chemicals, hardware, furniture,* ***papermaking****, and arts and crafts; accelerate integration with new technologies, new materials, culture, creativity, and fashion; develop intelligent, healthy, green, and personalized mid-to-high-end products; and cultivate nationally and even internationally renowned brands*' (emphasis added).

(64) In practical terms, it should be also mentioned that the individually examined LWTP producer – GGHT – is located in Guangdong Province. The company was found to use the VAT additional deduction for advanced manufacturing enterprises scheme. As explained in recitals (287) to (290) in order to be eligible for this scheme the company had to be recognized as a high and new technology enterprise and its product included as encouraged on the specific list prepared at the level of province, autonomous region or municipality.

(65) On 16 March 2022, the Hubei Provincial Department of Ecology and Environment published its 'Reply on the high-quality development of the paper industry' ([36]). In its reply, the Hubei Provincial Department of Ecology and Environment indicated that '*our province plans to add 13 new pulp and paper projects in the near future, with a new papermaking capacity of 19,16 million tons and a pulping capacity of 7,5 million tons*' and that '*Projects approved by EIA include Jingzhou (Jiulong, Shanying, Xianhe, Rongcheng) project, Huanggang Chenming project, Qianjiang Fuda project, etc., with a total papermaking capacity of 11,84 million tons and pulping 3,15 million tons*.'.

(66) Furthermore, the PRC explicitly supports papermaking chemical companies which provide raw material that are essential in the production of LWTP. For instance, Jiangsu Province, issued the Jiangsu Chemical Plan which aims to '*Strengthen the attraction of leading papermaking chemical companies in the world and build internationally competitive manufacturing equipment. At the end of the "14th Five Years Plan", the province's papermaking chemical industry shall strive to achieve a total output value of CNY 6 billion*' ([37]).

(67) Finally, as indicated in Article 59 of its Articles of Association, government subsidies are the source of income of the CPA.

(68) Based on the above the Commission concluded that LWTP, being part of the paper-making sector, is an encouraged industry.

3.4. **Partial non-cooperation and use of facts available**

3.4.1. *Application of the provisions of Article 28(1) of the basic Regulation in relation to the GOC*

(69) Although the GOC responded to certain information requests from the Commission during the investigation, at many instances the replies were not complete, or no information was provided at all. Specifically, in its reply to the government questionnaire, the GOC failed to provide necessary information related to the preparation, monitoring, and implementation of various schemes. All these critical elements were meticulously documented in the Article 28 letter sent to the GOC. The GOC responded with comments, which the Commission addressed in the sections below.

([34]) See p. 18, point 277.
([35]) https://www.ndrc.gov.cn/fggz/fzzlgh/dffzgh/202104/P020210428644397719082.pdf.
([36]) https://sthjt.hubei.gov.cn/fbjd/zc/zcwj/sthjt/ehh/202204/t20220419_4088112.shtml?utm.
([37]) http://gxt.jiangsu.gov.cn/art/2021/8/25/art_83673_10000511.html.

3.4.2. *Application of the provisions of Article 28(1) of the basic Regulation in relation to preferential lending*

(70) In order to obtain the necessary information from the financial institutions in China effectively and for administrative convenience, the Commission requested the GOC to forward specific questionnaires to any financial institution that had provided loans or export credits to the sampled companies.

(71) The GOC considered that the Commission's request to the GOC to forward the specific questionnaire violated Articles 12.1 and 12.9 of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement). It considered that the obligation to conduct the investigation and collect information from financial institutions lies with the investigating authority and it cannot request the GOC to forward the questionnaires to financial institutions on a presumption that these entities are public bodies. It argued that this presumptive approach is inconsistent with Article 1.1(a)(1) of the SCM Agreement. The GOC also argued that the Commission already had access to the list of commercial banks of the sampled exporting producers and it could have sent the questionnaires directly to the financial institutions at stake.

(72) The GOC further stated that the financial institutions were not properly notified of the information required of them, were not given 30 days to provide the requested information and were also not provided ample opportunities to provide the relevant information in writing within the meaning of Article 12.1 of the SCM Agreement. Besides, the GOC also considered that staff members of those commercial banks are not allowed to disclose state secrets or commercial secrets that they have become aware of in the course of their employment according to Article 53 of the Commercial Banks' Law, and therefore cannot respond to the questionnaire.

(73) The Commission disagreed with this view. First, it is the Commission's understanding that the information requested from State-owned entities is available to the GOC for all entities where the GOC is the main or major shareholder. In addition, whereas the Commission did not assume in any way that the entities are public bodies, it considered that the GOC also has the necessary authority to interact with the financial institutions even when they are not State-owned, since they all fall under the jurisdiction of the National Financial Regulatory Administration ('NFRA'), which replaced the China Banking and Insurance Regulatory Commission ('CBIRC') ([38]) in 2023. In this regard, the fact that the Commission could have contacted the financial institutions concerned directly is irrelevant, as the form and modalities to collect the necessary information remain within the discretion of the investigating authority ([39]). The Commission also noted that the GOC had forwarded the questionnaire to certain banks in previous investigations ([40]) without questioning the approach taken by the Commission. Furthermore, as far as the information requested and the deadline to submit a questionnaire reply are concerned, the Commission did not receive any request for clarification or a deadline extension request from any financial institution.

(74) The Commission did not address its questionnaire to the staff of the financial institutions but rather to the institutions themselves. In any case, the fact that certain information may be considered as State or commercial secret is irrelevant in the framework of an anti-subsidy proceeding given the confidentiality treatment given to any submitted information considered confidential. Additionally, the individually examined producer (Guanhao Group) was requested to provide a bank authorisation granting express permission to the representatives of the Commission to review all documents ([41]) pertaining to the loans provided by individual financial institutions and the requested authorisation was provided.

(75) Furthermore, in this procedure the Commission also sent the questionnaires directly to the banks listed as main creditors of the individually examined Group and no response was received.

([38]) The NFRA replaced the China Banking and Insurance Regulatory Commission ('CBIRC') in 2023.
([39]) Panel Report, China – Broiler Products (Article 21.5 – US), paras. 7.229-7.231. WT/DS427.
([40]) See http://data.europa.eu/eli/reg_impl/2013/1239/oj, recital (139) in OJ L 325, 5.12.2013, p.88 (Solar panels case) and http://data.europa.eu/eli/reg_impl/2018/1690/oj, recital (48) in OJ L, 283, 12.11.2018, p.7 (Tyres case).
([41]) Such as, but not limited to: loan agreements, loan applications, internal assessment of the bank on the loan application, loan approval documents.

(76) In the absence of such information, the Commission considered that it had not received necessary information which was crucial in relation to this aspect of the investigation. Therefore, the Commission informed the GOC that it might have to resort to the use of facts available under Article 28(1) of the basic Regulation when examining the existence and the extent of the alleged subsidisation granted through preferential financing. Specifically, the Commission informed the GOC that it had not received any reply from any of the Chinese banks that had provided preferential lending to the producers. On this basis, the Commission could not confirm the claims made by the GOC relating, inter alia, to credit worthiness and the provision of loans or other financing instruments from which the producers had benefitted. Furthermore, the GOC failed to provide information concerning the shareholding of the banks communicated by producers as well as failed to demonstrate and substantiate the formation mechanism of the loan prime rate as explained in its questionnaire reply.

(77) On 13 May 2026, the GOC submitted comments concerning the Commission's letter dated 6 May 2026 indicating its intention to apply facts available in accordance with Article 28 of the basic Regulation ('Article 28 Letter').

(78) In response to the request to forward Appendix A to the financial institutions, the GOC claimed that financial institutions are independent economic entities, not affiliated with the GOC. Therefore, the GOC did not forward the Appendix A to the financial institutions and claimed also lack of authority to force the banks to respond to the questionnaires which they received directly from the Commission. Furthermore, the GOC claimed that Appendix A requests confidential and business-sensitive information.

(79) The Commission disagreed with this view. First, it is the Commission's understanding that the information requested from state-owned entities (be it companies or public/financial institutions) is available to the GOC for all entities where the GOC is the main or major shareholder. Indeed, according to the Law of the People's Republic of China on State-Owned Assets of Enterprises ([42]), State-owned assets supervision and administration agencies established by the State-owned Assets Supervision and Administration Commission of the State Council and local people's governments perform the duties and responsibilities of the capital contributor of a State-invested enterprise on behalf of the government. Such agencies are thus entitled to receive returns on assets, to participate in major decision-making and to select managerial personnel of State-invested enterprises. Furthermore, according to Article 17 of the above-mentioned Law on State-owned Assets, State-invested enterprises shall accept administration and supervision by governments and relevant governmental departments and agencies, accept public supervision, and be responsible to capital contributors.

(80) In addition, the GOC also has the necessary authority to interact with the financial institutions even when they are not State-owned, since they all fall under the jurisdiction of the Chinese banking regulatory authority. For example, according to Articles 33 and 36 of the Banking Supervision Law ([43]), the NFRA has the authority to require all financial institutions established in the PRC to submit information, such as financial statements, statistical reports and information concerning business operations and management. The NFRA can also instruct financial institutions to disclose information to the public.

(81) Furthermore, the Commission requested the GOC to merely forward the specific questionnaires (Appendix A) to the relevant financial institutions and provide the Commission with the proof that the GOC transferred the above-mentioned specific questionnaires. Appendices contained information for the financial institutions in question regarding submission deadlines and methods of submission as well as treatment of non-confidential data. The GOC simply failed to forward these questionnaires and failed to ensure the cooperation of the financial institutions in this procedure.

(82) In the absence of the requested information, the Commission considered that it had not received necessary information which was relevant to this aspect of the investigation. Therefore, the Commission concluded that it had to rely on facts available for its findings concerning preferential financing.

([42]) Law of the People's Republic of China on State-Owned Assets of Enterprises, Decree No 5 of the President of the People's Republic of China, 28 October 2008, Articles 11 & 12.

([43]) Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry, Order No 58 of the President of the People's Republic of China, 31 October 2006.

3.4.3. *Application of the provisions of Article 28(1) of the basic Regulation in relation to/grants/ export credit insurance/land use rights/taxation*

(83) The Commission informed the GOC in Article 28 letter that it had not received necessary information relevant to certain investigated subsidy schemes such as grants, export credit insurance and the provision of land use. Therefore, the Commission informed the GOC that it might have to resort to the use of facts available under Article 28(1) of the basic Regulation when examining the existence and the extent of the alleged subsidisation granted through the above schemes.

(84) With regard to grants, the GOC failed to provide any information about the grants provided to the LWTP producers. The GOC failed also to provide evidence of contact with sub-central governments in this regard. Thus, the Commission has not received any data on grants received by the LWTP sector, their eligibility criteria and their legal basis.

(85) With regard to export credit insurance, Sinosure did not provide the reply to Appendix A of the questionnaire. Therefore, the Commission lacked necessary information in many crucial aspects:

— Sinosure failed to provide information concerning the investment income reported in its annual report,

— Sinosure failed to provide supporting evidence concerning issues relating to its financial statement such as operating expenses, revenues, investment incomes, overall sum insured, sum insured of the machinery industry sector,

— Sinosure failed to provide information on its articles of association,

— Sinosure failed to provide information concerning examined company despite the existence of relevant company authorisations,

— Sinosure failed to provide supporting information concerning the independence of its credit risk assessment system.

(86) All those documents and information were also not provided by the GOC although they were requested by the Commission during the verification visit.

(87) With regard to land use rights, the GOC failed to provide necessary information with regard to the acquisition of land by the producers/exporters of LWTP. The GOC failed to provide data concerning possible benchmarks with regard to the provision of land use rights.

(88) With regard to tax exemptions and deductions the GOC failed to provide necessary information with regard to schemes used by the producers/exporters of LWTP.

(89) With regard to electricity, input materials, and equity infusions the Commission did not receive several documents and necessary information requested. These documents are listed in the Article 28 letter sent to the GOC. However, as mentioned in Section 3.11, the Commission could not conclude on the countervailability of these programmes.

(90) In its reply to the Commission's Article 28 letter, the GOC objected to the application of facts available.

(91) The GOC claimed that it provided all the information and data permitted by law and objectively obtainable. The GOC further stated that it does not have or cannot obtain certain information requested by the Commission (for example ownership/equity structures of LWTP producers, product and sales data, operational data of industry associations), while other requested information constitute business secrets and autonomous operational data.

(92) Furthermore, the GOC claimed that Commission requests for irrelevant information and impose unreasonable burdens.

(93) The Commission disagreed with this statement. Information is to be regarded as 'necessary' within the meaning of Article 28(1) of the basic Regulation if it is such to enable the Commission to establish appropriate findings in this anti-subsidy investigation. In this regard, the Commission considers that all the information requested were necessary. The Commission also considered that the limited information provided by the GOC and the claims made in its questionnaire could not be verified against valid supporting evidence after the GOC refused to provide the requested underlying documents and data.

(94) Since the Commission received no information from the GOC concerning the elements listed above, the Commission considered that it had not received necessary information relevant to the investigation and that it had to rely on facts available for its findings concerning grants, export credit insurance, provision of land use right for less than adequate remuneration and income tax schemes.

3.4.4. *Application of the provisions of Article 28(1) of the basic Regulation to the individually examined LWTP producer*

(95) The Commission informed the Guanhao Group in an Article 28 letter of 6 May 2026 that it had not received supporting documents concerning equity investments of the top group holding – China Chengtong Holding Group Ltd. (CCHG) into China Investment Corporation (mother company of GGHT). The holding also refused a verification of its questionnaire reply at its premises.

(96) On 13 May 2026, the group submitted comments concerning the Commission's letter dated 6 May 2026 indicating its intention to apply facts available in accordance with Article 28 of the basic Regulation.

(97) The company claimed that CCHG should not be treated as an interested party required to cooperate in the current investigation as it is not an exporting producer of the product under investigation and it is not involved in its sales nor, and in the production of fixed assets or inputs used in the production process of the exporting producer. Furthermore, the company does not provide capital, loans, guarantees or other financing to or on behalf of the exporting producer, nor it is involved in purchasing the land on behalf of or leasing a land to the exporting producer.

(98) The Commission disagreed with this claim. CCHG is the top holding of the group and an indirect shareholder in the producer of the LWTP. It was investigated in the context of alleged equity infusions subsidisation. Furthermore, as in the previous anti-subsidy investigation ([44]), the Commission was investigating subsidies received by the holdings which were indirect shareholders of the producers of the product under investigation. Benefits under these subsidy schemes were later allocated to the producers.

(99) As mentioned in Section 3.11, the Commission could not conclude on the countervailability of equity infusions.

(100) However, since the Commission received no information from the group concerning subsidization of CCHG and could not finalize its investigation on spot, the Commission considered that it had not received necessary information relevant to the investigation and that it had to rely on facts available for its findings concerning subsidization (via preferential financing) of the holding.

3.5. **Subsidies and subsidy programmes that were investigated**

(101) On the basis of the information contained in the Memorandum on sufficiency of evidence, the Notice of Initiation and the replies to the Commission's questionnaires, the following subsidies by the GOC were investigated:

— Provision of preferential financing and directed credits by State policy banks and State-owned commercial banks (e.g. preferential loans, credit lines, preferential bonds, bank acceptance drafts, preferential export financing and insurance)

— Grant programmes

— Government provision of goods and services for less than adequate remuneration ('LTAR')

  — Government provision of land use rights for less than adequate remuneration.

  — Government provision of electricity for less than adequate remuneration.

  — Government provision of inputs (namely wood pulp) for less than adequate remuneration.

([44]) See for example Commission Implementing Regulation (EU) 2024/1866 of 3 July 2024 imposing a provisional countervailing duty on imports of new battery electric vehicles designed for the transport of persons originating in the People's Republic of China (OJ L, 2024/1866, 4.7.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/1866/oj) ('BEV case').

— Revenue foregone through Tax Exemption and Reduction programmes

— Enterprise Income Tax ('EIT') reduction for High and New Technology Enterprises.

— Preferential pre-tax deduction of research and development expenses.

— Accelerated depreciation of instruments and equipment used by High-Tech enterprises for High-Tech development and production.

— Dividend exemption between qualified resident enterprises.

— Export tax rebates

— VAT and tariff deductions and exemptions

— Equity infusions

3.6. **Preferential financing**

3.6.1. *Financial institutions providing preferential financing*

(102) According to the information provided by the individually examined group, 12 financial institutions located within the PRC had provided financing to the exporting producer of LWTP and its related companies. None of the financial institutions, whether fully or partially State-owned, or private, completed the specific questionnaire despite a request made to the GOC that covered all financial institutions which had provided loans to the examined companies.

(103) As mentioned in recital (71), the GOC did not forward the questionnaire to financial institutions and did not provide information on the ownership of the financial institutions which provided loans to the examined companies. Therefore, the Commission was not able to determine whether the financial institutions were State-owned or privately owned.

3.6.1.1. State-owned financial institutions acting as public bodies

Legal standard

(104) The Commission ascertained whether the State-owned banks were acting as public bodies within the meaning of Articles 3 and 2(b) of the basic Regulation. According to the relevant WTO case-law ([45]), a public body is an entity that 'possesses, exercises or is vested with governmental authority'. A public body inquiry must be conducted on a case-by-case basis, having due regard to 'the core characteristics and functions of the relevant entity', that entity's 'relationship with the government', and 'the legal and economic environment prevailing in the country in which the investigated entity operates'. Depending on the specific circumstances of each case, relevant evidence may include: (i) evidence that 'an entity is, in fact, exercising governmental functions', especially where such evidence 'points to a sustained and systematic practice'; (ii) evidence regarding 'the scope and content of government policies relating to the sector in which the investigated entity operates'; and (iii) evidence that a government exercises 'meaningful control over an entity and its conduct'. When conducting a public body inquiry, an investigating authority must 'evaluate and give due consideration to all relevant characteristics of the entity' and examine all types of evidence that may be pertinent to that evaluation; in doing so, it should avoid 'focusing exclusively or unduly on any single characteristic without affording due consideration to others that may be relevant'.

([45]) WT/DS379/AB/R (US – Anti-dumping and Countervailing Duties on Certain Products from China), Appellate Body Report of 11 March 2011, DS 379, paragraph 318. See also WT/DS436/AB/R (US – Carbon Steel (India)), Appellate Body Report of 8 December 2014, paragraphs 4.9-4.10, 4.17-4.20 and WT/DS437/AB/R (US – Countervailing Duty Measures on Certain Products from China) Appellate Body Report of 18 December 2014, paragraph 4.92.

(105) In particular, WTO case law specified that ([46]): *'What matters is whether an entity is vested with authority to exercise governmental functions, rather* than *how that is achieved. There are many different ways in which government in the narrow sense could provide entities with authority. Accordingly, different types of evidence may be relevant to showing that such authority has been bestowed on a particular entity. Evidence that an entity is, in fact, exercising governmental functions may serve as evidence that it possesses or has been vested with governmental authority, particularly where such evidence points to a sustained and systematic practice. It follows, in our view, that evidence that a government exercises meaningful control over an entity and its conduct may serve, in certain circumstances, as evidence that the relevant entity possesses governmental authority and exercises such authority in the performance of governmental functions. We stress, however, that, apart from an express delegation of authority in a legal instrument, the existence of mere formal links between an entity and government in the narrow sense is unlikely to suffice to establish the necessary possession of governmental authority. Thus, for example, the mere fact that a government is the majority shareholder of an entity does not demonstrate that the government exercises meaningful control over the conduct of that entity, much less that the government has bestowed it with governmental authority. In some instances, however, where the evidence shows that the formal indicia of government control are manifold, and there is also evidence that such control has been exercised in a meaningful way, then such evidence may permit an inference that the entity concerned is exercising governmental authority.*'

(106) In order to properly characterize an entity as a public body in a particular case, it may be relevant to consider *'whether the functions or conduct [of the entity] are of a kind that are ordinarily classified as governmental in the legal order of the relevant Member'* ([47]), and the classification and functions of entities within WTO Members generally. Thus, whether the functions or conduct are of a kind that are ordinarily classified as governmental in the legal order of the relevant Member may be a relevant consideration for determining whether or not a specific entity is a public body.

(107) There are many different ways in which government in the narrow sense could provide entities with authority. Accordingly, different types of evidence may be relevant to showing that such authority has been bestowed on a particular entity. Evidence that an entity is, in fact, exercising governmental functions may serve as evidence that it possesses or has been vested with governmental authority, particularly where such evidence points to a sustained and systematic practice.

(108) Evidence that a government exercises meaningful control over an entity and its conduct may serve, in certain circumstances, as evidence that the relevant entity possesses governmental authority and exercises such authority in the performance of governmental functions. Indeed, government ownership of an entity, while not a decisive criterion, may serve, in conjunction with other elements, as evidence. However, the existence of mere formal links between an entity and government in the narrow sense is unlikely to suffice to establish governmental authority. Thus, for example, the mere fact that a government is the majority shareholder of an entity in itself does not demonstrate that the government exercises meaningful control over the conduct of that entity, much less that the government has bestowed it with governmental authority. In some instances, however, where the evidence shows that the formal indicia of government control are manifold, and there is also evidence that such control has been exercised in a meaningful way, then such evidence may permit an inference that the entity concerned is exercising governmental authority.

(109) The central focus of a public body inquiry is not whether the conduct that is alleged to give rise to a financial contribution is logically connected to an identified 'government function'. In this respect, the legal standard for public body determinations under Article 1.1(a)(1) of the SCM Agreement does not prescribe a connection of a particular degree or nature that must necessarily be established between an identified government function and the particular financial contribution at issue. Rather, the relevant inquiry hinges on the entity engaging in that conduct, its core characteristics, and its relationship with government. This focus on the entity, as opposed to the conduct alleged to give rise to a financial contribution, comports with the fact that a 'government' (in the narrow sense) and a 'public body' share a 'degree of commonality or overlap in their essential characteristics' – i.e. they are both 'governmental' in nature.

([46]) WT/DS379/AB/R (US – Anti-dumping and Countervailing Duties on Certain Products from China), Appellate Body Report of 11 March 2011, DS 379, paragraph 318. See also WT/DS436/AB/R (US – Carbon Steel (India)), Appellate Body Report of 8 December 2014, paragraphs 4.9-4.10, 4.17-4.20 and WT/DS437/AB/R (United States – Countervailing Duty Measures on Certain Products from China) Appellate Body Report of 18 December 2014, paragraph 4.92.

([47]) WT/DS379/AB/R (*US – Anti-dumping and Countervailing Duties on Certain Products from China*), Appellate Body Report of 11 March 2011, DS 379, paragraph 297.

(110) The nature of an entity's conduct or practice may certainly constitute evidence relevant to a public body inquiry. Indeed, the conduct of an entity – particularly when it points to a 'sustained and systematic practice' – is one of the various types of evidence that, depending on the circumstances of each investigation, may shed light on the core characteristics of an entity and its relationship with government in the narrow sense. However, the assessment of such evidence is aimed at answering the central question of whether the entity itself possesses the core characteristics and functions that would qualify it as a public body. For instance, relevant for the assessment as to whether an entity is a public body in the context of Chinese State-owned commercial banks ('SOCBs') in DS379 included information showing that: (i) '[t]he chief executives of the head offices of the SOCBs are government appointed and the [CCP] retains significant influence in their choice'; and (ii) SOCBs 'still lack adequate risk management and analytical skills'. This evidence was not limited to SOCBs' lending activity *per se*, but rather spoke to their organizational features, chains of decision-making authority, and overall relationship with the GOC. Thus, the WTO Appellate body ('AB') in DS379 noted that, while the United States Department of Commerce ('USDOC') did take into account evidence relating to the conduct of SOCBs ['making loans'], it did so within the framework of its inquiry into the core characteristics of those entities and their relationship with the GOC. These SOCBs exercised governmental functions on behalf of the Chinese Government.

(111) Moreover, the AB has also given importance to the fact that the government in question failed to cooperate during the investigation. Indeed, in DS379, the AB confirmed the USDOC's determination that the SOCBs in the CFS Paper investigation constituted 'public bodies' on the following considerations: (i) near complete state-ownership of the banking sector in China; (ii) Article 34 of the Commercial Banking Law, which states that banks are required to '*carry out their loan business upon the needs of [the] national economy and the social development and under the guidance of State industrial policies*'; (iii) record evidence indicating that SOCBs still lack adequate risk management and analytical skills; and (iv) the fact that '*during [that] investigation the [USDOC] did not receive the evidence necessary to document in a comprehensive manner the process by which loans were requested, granted and evaluated to the paper industry*' ([48]).

(112) In order to determine whether State-owned banks possess, exercise or are vested with governmental authority, the Commission paid due regard to the core characteristics and functions of the banks, their relationship with the government, and the legal and economic environment prevailing in the country in which the investigated entity operates. In this respect, the Commission sought information about State ownership as well as formal indicia of government control in the State-owned banks. It also analysed whether control had been exercised in a meaningful way in view of the normative framework in place. For this purpose, the Commission had to rely on facts available due to the refusal of the GOC to forward the relevant questionnaires to financial institutions concerned and provide evidence on the decision-making process that had led to the preferential lending, as set out in Section 3.4.2.

3.6.1.2. Core characteristics and functions of State-owned banks

(113) The Chinese banking sector is dominated by State-owned Banks, based on their specific primary functions typically referred to as SOCBs or State policy banks (see recital (41).

(114) Since the State maintains control over the State-owned banks through multiple channels – beside shareholding it also ensures presence of Party structures and their influence in the financial institutions and it mandates certain types of the banks' commercial conduct by means of regulatory measures (see Section 3.6.1.44) – it is in position to make use of the financial sector's resources in pursuit of its policy objectives (see also recitals (130) to (132), including the overarching goal to '*promote the development of the socialist market economy*', as stipulated by Article 1 of the Bank Law (see Section 3.6.1.4 for a more detailed analysis of the Bank Law).

([48]) WT/DS379/AB/R (*US – Anti-dumping and Countervailing Duties on Certain Products from China*), Appellate Body Report of 11 March 2011, DS 379, paragraph 349.

(115) Accordingly, the core functions of banking institutions, in particular their lending policies are shaped to serve policy purposes, the banks' economic performance is subordinated to the requirements of the GOC's industrial policies. The applicable legal framework and the institutional setup ensures in this respect that whenever the GOC identifies economic priorities, for example development of the LWTP sector, requisite funds are channelled as a priority to corresponding projects via the financial sector. Consequently, State-owned banks effectively perform government functions, insofar as their key management personnel is required to be CCP-affiliated – and, therefore, loyal primarily to the Party – and their core business activities have to be carried out with due regard to policy objectives set by the government authorities.

3.6.1.3. Ownership, formal indicia and exercise of control by the GOC

(116) As indicated in recital (71), the GOC refused to forward the questionnaires to the banks on the grounds that this request breached the SCM Agreement by improperly requesting information from Chinese financial institutions, misclassifying them as public bodies, failing to notify them properly, and disregarding confidentiality concerns under Chinese law.

(117) In the course of the investigation, the Commission clarified its entitlement to request data from Chinese financial institutions, including state-owned entities, under the oversight of Chinese authorities, and confirmed that any confidential information will be managed in accordance with relevant confidentiality protocols. Additionally, the confidentiality requirement has been relinquished, as demonstrated by the written authorization from the sampled companies, explicitly waiving their confidentiality privileges.

(118) Consequently, and as set out in recital (76), none of the financial institutions, which provided loans to the examined companies, replied to the specific questionnaire.

(119) The GOC did not provide information neither on the ownership of the banks, or on their governance structure, risk assessment or examples relating to specific loans to the LWTP industry.

(120) Therefore, the Commission decided to use facts available to determine whether those financial institutions qualify as public bodies.

(121) In a previous anti-subsidy investigation ([49]) the Commission established that the banks which had provided loans to the sampled groups of exporting producers in the investigation were partially or fully owned by the State itself or by State-held legal persons. Since the banks did not reply to the specific questionnaire, the Commission used publicly available information, such as the bank's website, annual reports, information available in bank directories or on the internet. In line with the findings of these past investigations the Commission Staff Working Document ([50]) confirmed that the State dominates the banking sector ([51]) by maintaining controlling stakes in all state-owned commercial banks, as well as by being the majority shareholder in a number of joint-stock commercial banks, either through direct investment by Central Huijin or indirectly through other state-owned legal entities. In the absence of changes since recent similar investigations ([52]), it was considered that all State-owned financial institutions that provided financing to the examined companies as partially or fully owned by the State itself or by State-held legal persons.

([49]) Commission Implementing Regulation (EU) 2018/1690 of 9 November 2018 imposing definitive countervailing duties on imports of certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries and with a load index exceeding 121 originating in the People's Republic of China and amending Commission Implementing Regulation (EU) 2018/1579 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries, with a load index exceeding 121 originating in the People's Republic of China and repealing Implementing Regulation (EU) 2018/163 (OJ L 283, 12.11.2018, p. 1, ELI: http://data.europa.eu/eli/reg_impl/2018/1690/oj), recitals (210) and (211).

([50]) Updated 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 (the 'China Report') – Chapter 6.3 Banking Sector, pp. 137-144.

([51]) See also Chorzempa, M. and Véron, N., Will China's impending overhaul of its financial regulatory system make a difference?, PIIE, March 2023, p. 2; available at: https://www.piie.com/sites/default/files/2023-03/pb23-1.pdf.

([52]) *Ibidem footnote 56*.

(122) Concerning the formal indicia of government control of State-owned banks, the Commission qualified them as 'key State-owned financial institutions'. In particular, the notice 'Interim Regulations on the Board of Supervisors in Key State-owned Financial Institutions' ([53]) states that: *'The key State-owned financial institutions mentioned in* these *Regulations refer to State-owned policy banks, commercial banks, financial assets management companies, securities companies, insurance companies, etc. (hereinafter referred to as State-owned financial institutions), to which the State Council dispatches boards of supervisors*'.

(123) The Board of Supervisors of the key State-owned financial institutions is appointed according to the 'Interim Regulations of Board of Supervisors of Key State-owned Financial Institutions'. Based on Articles 3 and 5 of these Interim Regulations, the Commission established that Members of the Board of Supervisors are dispatched by and accountable to the State Council, thus illustrating the institutional control of the State on the State-owned bank's business activities.

(124) Concerning SOCBs, the Commission observed that the six largest banks accounted for more than 40 % of the Chinese financial sector terms of total assets by the end of 2022 ([54]). At least two of these six SOCBs, namely ICBC and ABC, are among the financial institutions which provided loans to the examined companies in the present investigation. The State holds a majority share both in ICBC ([55]) and in ABC ([56]). In addition to controlling the six largest SOCBs, the State maintains significant shares in a number of other SOCBs, in which its involvement is more often indirect, e.g. through SOEs.

(125) The Commission also found that State-owned financial institutions have changed their Articles of Associations in 2017 to increase the role of the CCP at the highest decision-making level of the banks ([57]).

(126) These new Articles of Association stipulate that:

— The Chairman of the Board of Directors shall be the same person as the Secretary of the Party Committee,

— The CCP's role is to ensure and supervise the Bank's implementation of policies and guidelines of the CCP and the State; as well as to play a leadership and gate keeping role in the appointment of personnel (including senior management), and

— The opinions of the Party Committee shall be heard by the Board of Directors for any major decisions to be taken.

(127) Recital (42) provides specific examples of these changes to the Articles of Associations with respect to ICBC and ABC.

3.6.1.4. Meaningful control by the GOC

(128) The Commission further sought information about whether the GOC exercised meaningful control over the conduct of state-owned financial institutions, with respect to their lending and assessment of risk policies, where they provided loans to the LWTP industry. The following regulatory documents have been taken into account in this respect:

(1) Article 34 of the Law of the PRC on Commercial Banks ('Bank law')

(2) Article 15 of the General Rules on Loans (implemented by the People's Bank of China)

(3) Decision No 40

([53]) Decree of the State Council of the People's Republic of China (No 283).
([54]) See for example at: https://www.statista.com/statistics/434566/leading-banks-in-china-assets/.
([55]) See ICBC, Annual Report 2021; available at file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2022/2022-3/2022-03-31/7943541.PDF.
([56]) See ABC, Annual Report 2021; available at: https://www.abchina.com/en/investor-relations/performance-reports/annual-reports/202204/P020220427580795705015.pdf.
([57]) https://www.reuters.com/article/us-china-banks-party-idUSKBN1JN0XN.

(4) Implementing Measures of the CBIRC for Administrative Licensing Matters for Chinese-funded Commercial Banks (Order of the CBIRC [2017] No 1)

(5) Implementing Measures of the CBIRC for Administrative Licensing Matters relating to Foreign-funded Banks (Order of the CBIRC [2015] No 4)

(6) Administrative Measures for the Qualifications of Directors and Senior Officers of Financial Institutions in the Banking Sector (CBIRC [2013] No 3)

(7) Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022) (CBIRC, 28 August 2020)

(8) Notice on the Commercial banks performance evaluation method, (CBIRC, 15 December 2020)

(9) Notice on the Supervision regulations concerning the behaviour of large shareholders of bank and insurance institutions (CBIRC, [2021] No 43).

(129) Reviewing these regulatory documents, the Commission found that financial institutions in the PRC operate within a legal framework that directs them to align with the GOC's industrial policy objectives, that include the development of the paper-making sector. Recognised as part of the paper-making industry, LWTP is highlighted in key national and regional plans, including Decision 40, Made in China 2025, the 14th FYP, the Catalogue, and various provincial and municipal development strategies in Guangdong, Hubei and Jiangsu. These policies promote financial support, R&D incentives, and industrial clustering, encouraging financial institutions to prioritize funding for companies in this sector.

(130) At the general level, Article 34 of the Bank law, which applies to all financial institutions operating in China, provides 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*'. Although Article 4 of the Bank Law states that, '*commercial banks shall, pursuant to law, conduct business operations without interference from any unit or individual. Commercial banks shall independently assume civil liability with their entire legal person property*', the investigation showed that Article 4 of the Bank law is applied subject to Article 34 of the Bank law, i.e. where the State establishes a public policy the banks implement it and follow State instructions.

(131) In addition, Article 15 of the General Rules on Loans provides that '*In accordance with the State's* policy, *relevant departments may subsidize interests on loans, with a view to* promoting *the growth of certain industries and economic development in some areas*'.

(132) Similarly, Decision No 40 instructs all financial institutions to provide credit support specifically to 'encouraged' projects. As already explained in Section 3.3 and more specifically in recitals (60)-(68), projects of the LWTP industry belong to the 'encouraged' category. Decision No 40 hence confirms the previous finding with respect to the Bank law that banks exercise governmental authority in the form of preferential credit operations. The Commission also found that the NFRA has far-reaching approval authority over all aspects of the management of all financial institutions established in the PRC (including privately owned and foreign owned financial institutions), such as ([58]):

— approval of the appointment of all managers of the financial institutions, both at the level of headquarters and at the level of local branches. Approval of the NFRA is required for the recruitment of all levels of management, from the most senior positions down to branch managers, and even includes managers appointed in overseas branches as well as managers responsible for support functions (e.g. the IT managers), and

— a very long list of administrative approvals, including approvals for setting up branches, for starting new business lines or selling new products, for changing the Articles of Association of the bank, for selling more than 5 % of their shares, for capital increases, for changes of domicile, for changes of organizational form, etc.

([58]) According to the Implementing Measures of the CBIRC for Administrative Licensing Matters for Chinese-funded Commercial Banks (Order of the CBIRC [2017] No 1), the Implementing Measures of the CBIRC for Administrative Licensing Matters relating to Foreign funded Banks (Order of the CBIRC [2015] No 4) and the Administrative Measures for the Qualifications of Directors and Senior Officers of Financial Institutions in the Banking Sector (CBIRC [2013] No 3). After the CBIRC was replaced with the NFRA, the Implementing measures were not amended.

(133) The Bank law is legally binding. The mandatory nature of the Five-Year Plans and of Decision No 40 has been established above in Section 3.6.1.4. The mandatory nature of the NFRA regulatory documents derives from its powers as the banking regulatory authority. The mandatory nature of other documents is demonstrated by the supervision and evaluation clauses, which they contain.

(134) Decision No 40 of the State Council instructs all financial institutions to provide credit support only to investment projects pertaining to the encouraged category and promises the implementation of '*other preferential policies for projects pertaining to the encouraged industries category*'. On this basis, banks are required to provide credit support to the paper-making industry as an encouraged industry.

(135) Furthermore, even private commercial banking decisions must be overseen by the CCP and remain in line with national policies. In fact, 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 in companies. In this respect, the Three Year Action Plan of the CBIRC for the years 2020 to 2022 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*.'

(136) Also, the GOC has recently stipulated that even shareholders of financial institutions need to facilitate the exercise of the GOCs control via the institution's corporate governance framework, as follows: '*Large shareholders of bank and insurance institutions shall support bank and insurance institutions in establishing an independent and sound corporate governance structure with effective checks and balances, and encourage and support banks and insurance institutions to ensure the organic integration of Party leadership with corporate governance*' ([59]).

(137) Finally, the performance evaluation criteria of the NFRA for commercial banks now, notably, take into account how financial institutions '*serve the national development objectives and the real economy*', and in particular how they '*serve strategic and emerging industries*' ([60]).

(138) Therefore, the Commission concluded that the GOC has created a normative framework that had to be adhered to by the managers and supervisors of the State-owned bank, who are appointed by the GOC and accountable to the GOC. Therefore, the GOC relied on this normative framework in order to exercise control in a meaningful way over the conduct of the State-owned bank whenever it was providing loans to the LWTP industry. The core functions of the State-owned bank relate to the specific tasks assigned by the GOC through this normative framework, leading to becoming the GOC's tool to perform governmental functions.

(139) In the course of the investigation, the GOC referred to the NPC's interpretation of the Bank law and Article 4, of the Bank law claiming that commercial banks in China were operating as independent legal entities that *'make their own decisions', 'without interference from any unit or individual'* and that *'no entity or individual may coerce a commercial bank into granting loans or providing a guarantee'*.

(140) As explained in recital (133), the Commission considered that the Chinese Bank law and Decision No 40 are of a mandatory nature. Furthermore, the findings of this investigation as well as the Commission's findings in previous investigations concerning the same subsidy programme ([61]) did not support the claim that banks do not take government policy and plans into account when making lending decisions. For example, the Commission found that the examined group benefited from preferential lending at below-market interest rates.

([59]) Article 13 of the Notice on the Supervision regulations concerning the behaviour of large shareholders of bank and insurance institutions (CBIRC, [2021] No 43).

([60]) See CBIRC's Notice on the Commercial banks performance evaluation method, issued on 15 December 2020. http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm.

([61]) See for example the HRF, Tyres and E-bikes cases.

(141) The investigation also determined that Article 4 applies only to the extent that it aligns with Article 33. This means that while banks may operate under their general legal framework, they must comply with state policies when directed. In fact, while Article 4 of the Bank Law is part of Chapter I, which sets the general provisions, Article 33 is part of Chapter IV, which establishes the basic rules governing loans. The wording of Article 33: *'commercial banks carry out their loan business upon the needs of national economy* and *the social development and under the guidance of the State industrial policies',* demonstrates that this provision is not of a guiding nature but has rather a mandatory character and provides a clear instruction to banks to take into account the State industrial policies when carrying out their loan business. The Commission also noted that the Decision No 40 of the State Council instructs all financial institutions to provide credit support only to encouraged projects and promises the implementation of "*other preferential policies for projects pertaining to the encouraged industries category's'*. While Article 17 of the same Decision requires banks to respect credit principles, the Commission established that banks were not respecting credit principles during the investigation. The Commission requested supporting documents showing that the financial institutions were respecting such principles. The GOC and the financial institutions did not provide such information. As a result, the Commission had to make such assessment on the basis of facts available. Such facts showed that loans were provided to the exporting producers irrespective of their financial situation and creditworthiness. This finding is not new and was already made in previous investigations ([62]) where the Commission previously demonstrated that Article 17 does not effectively translate into a credit principle for encouraged industries. During the current investigation, the Commission could not establish compliance due to a lack of cooperation, further reinforcing concerns about transparency and adherence to proper credit assessment procedures.

(142) Finally, as noted in recitals (125) and (126) above, the fact that all the bank's major operational and management issues are reviewed by the Party, which is thoroughly embedded in the corporate governance structure of the banks, and the fact that the performance of the banks is evaluated in line with their efforts to serve strategic and emerging enterprises such as the LWTP industry, also shows the tight and binding nature of the regulatory framework over the operations of the financial institutions.

(143) In the absence of cooperation and concrete evidence of creditworthiness assessments, the Commission therefore examined the overall legal environment as set out above in recitals (130) to (138), regarding loans provided to the examined group. This behaviour contrasted with its official stance as in practice State-owned banks were not acting based on thorough market-based risk assessments.

(144) In the course of the investigation, the Commission found that loans were provided to the examined companies at interest rates below or close to the Loan Prime Rate ('LPR'), as announced by the National Interbank Funding Center (NIFC). The LPR was introduced on 20 August 2019, and replaces the previous People's Bank of China's (PBOC) central bank benchmark rate ([63]). The provision of financing at rates below or close to the country's risk-free interest rate on the interbank market clearly shows that risk was not adequately taken into consideration. In the absence of cooperation by the GOC and the financial institutions, the Commission had to use facts available and

([62]) See Commission Implementing Regulation (EU) 2017/969 of 8 June 2017 imposing definitive countervailing duties on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China and amending Commission Implementing Regulation (EU) 2017/649 imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China (OJ L 146, 9.6.2017, p. 17, ELI: http://data.europa.eu/eli/reg_impl/2017/969/oj) ('HRF case'), Implementing Regulation (EU) 2018/1690 ('Tyres case'), Commission Implementing Regulation (EU) 2021/2287 of 17 December 2021 imposing definitive countervailing duties on imports of aluminium converter foil originating in the People's Republic of China (OJ L 458, 22.12.2021, p. 344, ELI: http://data.europa.eu/eli/reg_impl/2021/2287/oj) ('ACF case'), and Commission Implementing Regulation (EU) 2020/776 of 12 June 2020 imposing definitive countervailing duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt (OJ L 189, 15.6.2020, p. 33, ELI: http://data.europa.eu/eli/reg_impl/2020/776/oj) ('GFF case'), Commission Implementing Regulation (EU) 2022/72 of 18 January 2022 imposing definitive countervailing duties on imports of optical fibre cables originating in the People's Republic of China (OJ L 12, 19.1.2022, p. 34, ELI: http://data.europa.eu/eli/reg_impl/2022/72/oj) ('OFC case'), Implementing Regulation (EU) 2024/1866 ('BEV case'), Commission Implementing Regulation (EU) 2025/796 of 24 April 2025 imposing a definitive countervailing duty on imports of mobile access equipment originating in the People's Republic of China, amending Implementing Regulation (EU) 2025/45 imposing a definitive anti-dumping duty on imports of mobile access equipment originating in the People's Republic of China (OJ L, 2025/796, 25.4.2025, ELI: http://data.europa.eu/eli/reg_impl/2025/796/oj) ('MAE case').

([63]) http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/3876551/de24575c/index2.html.

thus concluded that the loans were granted regardless of the companies' real financial and credit risk situation, as established in Section 3.6.3 below. Hence, the loans were provided below market rates when compared to the rate corresponding to the risk profile of the examined group.

(145) On that basis, the Commission concluded that the GOC has created a normative framework with respect to lending to encouraged industries that had to be adhered to by the managers and supervisors of the bank, which are appointed by the GOC and accountable to the GOC. This normative framework did not leave any margin of manoeuvre to the managers and supervisors of the bank as to whether to follow this framework or not with respect to the examined group, thus putting the management of that bank in a position of dependence.

(146) Therefore, the GOC relied on the normative framework in order to exercise control in a meaningful way over the conduct of the bank whenever it was providing loans to the LWTP industry.

(147) In the absence of concrete evidence of credit risk assessments, the Commission examined the overall legal environment applicable to lending to encouraged industries such as the LWTP industry and established that the bank was not acting based on thorough market-based credit risk assessments.

(148) Furthermore, as explained in recital (140), loans were provided to the examined companies at interest rates below or close to the Loan Prime Rate regardless of their financial and credit risk situation. Therefore, considering the risk profile of the Guanhao Group described in Section 3.6.4.3 below and that, according to the risk analysis performed by the Commission, it should have received a B credit rating and should thus have paid interest rates significantly above the risk-free rate, the Commission concluded that the loans at issue were provided below market rates.

(149) The Commission therefore concluded that the GOC has exercised meaningful control over the conduct of the bank with respect to its lending policies and assessment of risk concerning the LWTP industry.

3.6.1.5. Conclusion on all State-owned financial institutions

(150) The Commission established that the State-owned banks implemented the legal framework set out above in the exercise of governmental functions with respect to the LWTP sector. Therefore, it was acting as public body in the sense of Article 2(b) of the basic Regulation read in conjunction with Article 3(1)(a)(i) of the basic Regulation and in accordance with the relevant WTO case-law.

(151) In addition, even if the State-owned financial institutions were not to be considered as public bodies, the Commission established on the basis of the same information that they would be considered entrusted or directed by the GOC to carry out functions normally vested in the government within the meaning of Article 3(1)(a)(iv) of the basic Regulation for the same reasons, as set out in Section 3.6.2 below. Thus, their conduct would be attributed to the GOC in any event.

3.6.2. *Private financial institutions entrusted or directed by the GOC*

(152) As in previous investigations ([64]), in line with the corresponding analysis provided in recitals (128) to (149) it was considered that these banks and private financial institutions have been operating under the supervision of the NFRA (replacing the CBRC) and have been entrusted or directed by the GOC. Since no information was provided indicating otherwise, the Commission maintained the same conclusion in the present investigation.

(153) The Commission analysed whether all these financial institutions had been entrusted or directed by the GOC to grant subsidies to the LWTP sector within the meaning of Article 3(1)(a)(iv) of the basic Regulation.

([64]) See Implementing Regulation (EU) 2017/969 ('HRF case'), Implementing Regulation (EU) 2018/1690 ('Tyres case'), Implementing Regulation (EU) 2021/2287('ACF case'), and Implementing Regulation (EU) 2020/776 ('GFF case'), Implementing Regulation (EU) 2022/72 ('OFC case'), Implementing Regulation (EU) 2024/1866 ('BEV case'), Implementing Regulation (EU) 2025/796 ('MAE case').

(154) According to the WTO Appellate Body, 'entrustment' occurs where a government gives responsibility to a private body and 'direction' refers to situations where the government exercises its authority over a private body ([65]). In both cases, the government uses a private body as a proxy to make the financial contribution, and 'in most cases, one would expect entrustment or direction of a private body to involve some form of threat or inducement' ([66]). At the same time, Article 3(1)(a)(iv) does not allow Members to impose countervailing measures to products 'whenever the government is merely exercising its general regulatory powers' ([67]) or where government intervention 'may or may not have a particular result simply based on the given factual circumstances and the exercise of free choice by the actors in that market' ([68]). Rather, entrustment or direction implies 'a more active role of the government than mere acts of encouragement' ([69]).

(155) The Commission noted that the normative framework concerning the industry mentioned above in recitals (130) to (135) applies to all financial institutions in the PRC, including privately owned financial institutions. To illustrate this, the Bank Law and the various orders of the NFRA (formerly CBIRC) cover all Chinese-funded and foreign-invested banks under the management of the NFRA.

(156) Furthermore, the majority of loan contracts with private financial institutions had similar conditions as the contracts with State-owned banks, and the lending rates provided by the private financial institutions were similar to the rates provided by the State-owned financial institutions. This shows that de facto preferential lending conditions are granted by those banks in accordance with the GOC's control over the banking sector.

(157) In the absence of any divergent information received from the private financial institutions, the Commission concluded that, in so far as the LWTP industry is concerned, all financial institutions (including private financial institutions) operating in China under the supervision of the NFRA have been entrusted or directed by the State in the sense of Article 3(1)(a)(iv), first indent of the basic Regulation to pursue governmental policies and provide loans at preferential rates to the LWTP industry ([70]), thus, functions which are no different from functions normally carried out by governments.

3.6.3. *Credit ratings*

(158) In previous anti-subsidy investigations, the Commission already determined that domestic credit ratings awarded to Chinese companies were not reliable, based on a study published by the International Monetary Fund ([71]), showing a discrepancy between international and Chinese credit ratings. Indeed, according to the IMF, over 90 % of Chinese bonds are rated from AA to AAA by local rating agencies. This is not comparable to other markets, such as the EU or the United States of America ('US'). For example, less than 2 % of firms enjoy such top-notch ratings in the US market. Chinese credit rating agencies are thus heavily skewed towards the highest end of the rating scale. They have very broad rating scales and tend to pool bonds with significantly different default risks into one broad rating category ([72]). According to the China bond market insight 2021 by Bloomberg ([73]), five Chinese local rating agencies dominate the bond market: China Chengxin, Dagong, Lianhe, Shanghai Brilliance, and Golden credit rating, and around 90 % of the bonds are rated AAA by local rating agencies. However, many of the issuers have received a lower S&P global issuer rating of A and BBB ([74]).

([65]) *WT/DS/296 (DS296 United States – Countervailing duty investigation on Dynamic Random Access Memory (DRAMS) from Korea) Appellate Body Report of 21 February 2005, para. 116.*
([66]) Appellate Body Report, DS 296, para. 116.
([67]) Appellate Body Report, DS 296, para. 115.
([68]) Appellate Body Report, DS 296, para. 114 agreeing with the Panel Report, DS 194, para. 8.31. on that account.
([69]) Appellate Body Report, DS 296, para. 115.
([70]) See the cases cited in footnote 80 before.
([71]) IMF Working Paper 'Resolving China's Corporate Debt Problem', by Wojciech Maliszewski, Serkan Arslanalp, John Caparusso, José Garrido, Si Guo, Joong Shik Kang, W. Raphael Lam, T. Daniel Law, Wei Liao, Nadia Rendak, Philippe Wingender, Jiangyan, October 2016, WP/16/203.
([72]) Livingston, M. Poon, W.P.H. and Zhou, L. (2017). Are Chinese Credit Ratings Relevant? A Study of the Chinese Bond Market and Credit Rating Industry, in: Journal of Banking & Finance, p. 24.
([73]) China bond market insight 2021, https://assets.bbhub.io/professional/sites/10/China-bond-market-booklet.pdf.
([74]) China bond market insight 2021, footnote 59, p. 31.

(159) In addition, foreign rating agencies, such as Standard and Poor's and Moody's, typically apply an uplift over the issuer's baseline credit rating based on an estimate of the firm's strategic importance to the Chinese Government and the strength of any implicit guarantee when they rate Chinese bonds issued overseas ([75]).

(160) To complement this analysis, previous cases showed that the GOC can also exercise its influence over the credit rating market ([76]).

(161) According to the information provided by the GOC in previous cases, there were 14 credit rating agencies active on China's bond market, including 12 domestic rating agencies. Second, there is no free entrance on the Chinese credit rating market. It is essentially a closed market, since rating agencies need to be approved by the China Securities Regulatory Commission ('CSRC') or the PBOC before they can start operations ([77]). The PBOC announced mid-2017 that overseas credit rating agencies would be allowed to carry out credit ratings on part of the domestic bond market, under certain conditions. However, these credit rating agencies follow Chinese rating scales and are thus not exactly comparable with international ratings, as explained in recital (159).

(162) A 2021 research by Allianz Global Investors confirms the Commission's findings, stating that'China's *onshore credit rating system differs from international* rating conventions. For example, onshore bonds rated AA+ would typically be rated as *"high yield" on an international scale*' ([78]).

(163) Finally, the OECD pointed out in 2022 that'[d]*eficiencies in the credit-rating market, including inflated ratings and weak warning systems hinder the healthy development of the bond market*' ([79]).

(164) Furthermore, the Commission has also determined ([80]) that the Chinese credit rating system cannot be considered to be solely driven by market forces and that it operates on a distorted basis.

(165) In view of the situation described in recitals (158) to (163), the Commission concluded that Chinese credit ratings do not provide a reliable estimation of the credit risk of the underlying asset. Those ratings were also distorted by the policy objectives to encourage key strategic industries, such as the LWTP industry.

3.6.4. *Preferential financing: loans*

3.6.4.1. Types of loans

Short-term and long-term loans

(166) The Commission established that companies in the Guanhao Group used short-term and long-term loans to finance their activities. These loans were mainly used for daily operations, working capital needs, for special projects and investments.

([75]) Price, A.H., Brightbill T.C., DeFrancesco R.E., Claeys, S.J., Teslik, A. and Neelakantan, U. (2017). China's broken promises: why it is not a market-economy, Wiley Rein LLP, p. 68.

([76]) Implementing Regulation (EU) 2021/2287, recitals (210) to (214) ('Aluminium foil case'), Implementing Regulation (EU) 2017/969, recitals (159) to (161) ('HRF case'), Implementing Regulation (EU) 2018/1690, recitals (239) to (241) ('Tyres case'), Implementing Regulation (EU) 2020/776, recitals (279) to (284) ('GFF case'), Implementing Regulation (EU) 2022/72, recitals (274) to (279) ('OFC case'), Implementing Regulation (EU) 2024/1866, recitals (474) to (478) ('BEV case').

([77]) See Implementing Regulation EU) 2022/72, footnote 71.

([78]) Available at https://ch.allianzgi.com/-/media/allianzgi/globalagi/china-microsite/9-things-to-know/9-things-to-know-about-chinas-bond-markets.pdf.

([79]) See OECD Economic Surveys: China, March 2022, p. 34-35; available at: https://www.oecd-ilibrary.org/docserver/b0e499cf-en.pdf.

([80]) See the 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 (the 'China Report') – Chapter 6, pp. 156-160.

3.6.4.2. Specificity

(167) As demonstrated in recital (128) several legal documents, which target also the companies in the paper-making sector as encouraged industry, direct the financial institutions to provide loans at preferential rates to the LWTP industry. These documents demonstrate that the financial institutions only provide preferential financing to a limited number of enterprises or industries, which comply with the relevant policies of the GOC. The Commission considered that the reference to the paper-making industry, of which the LWTP industry forms part, is sufficiently clear as this industry is identified by a reference to the product manufactured by the industry group that it belongs to. Therefore, the fact that the GOC supports a limited group of encouraged industries, which includes the LWTP industry, makes this subsidy specific.

3.6.4.3. Calculation of the subsidy amount

(168) The Commission calculated the amount of the countervailable subsidy based on the benefit conferred on the recipients during the investigation period. According to Article 6(b) of the basic Regulation, the benefit conferred on the recipients is the difference between the amount of interest that the company has paid on the preferential loan and the amount that the company would have paid for a comparable commercial loan, which the company could have obtained on the market.

(169) As explained in Sections 3.6.1 and 3.6.2 above, the loans provided by Chinese financial institutions reflect substantial government intervention and do not reflect rates that would normally be found in a functioning market.

(170) The Commission assessed the financial situation of the individually examined Guanhao Group. In this respect, the Commission followed the calculation methodology for preferential financing through loans established in the anti-subsidy investigation on aluminium converter foil originating in the PRC, as well as the anti-subsidy investigation on hot-rolled flat steel products originating in the PRC, the anti-subsidy investigations on tyres originating in the PRC, certain woven and/or stitched glass fibre fabrics originating in the PRC, optical fibre cables originating in the PRC, new battery electric vehicles designed for the transport of persons originating in the PRC and mobile access equipment originating in the PRC ([81]), as explained in the recitals (180) to (181) below. As a result, the Commission calculated the benefit from the preferential financing through loans practices for the Guanhao Group and allocated such benefit to the product under investigation.

(171) As mentioned in recital (76), the Chinese lending financial institutions did not submit any questionnaire response that could clarify the creditworthiness assessment conducted. Hence, in order to establish the benefit, the Commission had to assess whether the interest rates for the loans accorded to the Guanhao Group were at market level.

(172) The Guanhao Group reported generally profitable financial situation between 2022 and 2024. However, its profitability declined dramatically in the investigation period where the company reported losses of 2,2 %. This was also confirmed by the company's published audited financial accounts of 2025 where the losses reached 4,2 %.

(173) The Guanhao Group used short-term and long-term debt to finance its operations. The Commission assessed the short-term liquidity and the long-term solvency situation of the group.

(174) Regarding short-term liquidity, the Commission used the current ratio and the quick ratio. These ratios measure the company's ability to pay short-term obligations, including short-term debt.

(175) The company's current ratio was at 1,35 in 2022, decreased to 1,01 in 2023 and then decreased to 0,97 in the investigation period. The company's current assets were thus not enough to pay the short-term obligations. This does not justify a high credit rating, for which a company should present a ratio of at least 2.

([81]) Implementing Regulation (EU) 2021/2287 (recital 237) ('Aluminium foil case'), Implementing Regulation (EU) 2017/969, recitals (152) to (244) ('HRF case'), Implementing Regulation (EU) 2018/1690, recital (236) ('Tyres case'), Implementing Regulation (EU) 2020/776, recital (300) ('GFF case'), Implementing Regulation (EU) 2022/72, recital 294 ('OFC case'), Implementing Regulation (EU) 2024/1866, recital (490) ('BEV case'), and Implementing Regulation (EU) 2025/796, recital (190) ('MAE case').

(176) The quick ratio of the company was 0,84 in 2023, 0,81 in 2024 and 0,7 at the end of the investigation period, while a quick ratio of at least 1 is considered as a reference. In fact, a company that has a quick ratio below 1 may not be able to pay off its current liabilities in the short-term. Therefore, the company had insufficient cash at hand to pay its short-term debt. Considering this short-term liquidity indicator, the Commission concluded that the company at issue presented short-term liquidity problems which results in having a high-risk debtor profile.

(177) In terms of solvency, the company's debt-to-equity ratio increased continuously from 0,40 in 2002 to 0,92 in the investigation period, which points to the fact that the company is financing more and more of its activity mainly though debt. Such high leverage makes the company vulnerable to rising interest rates or economic downturns, as its ability to service debt may be strained. The reliance on debt financing increases the risk of insolvency, especially if revenue growth or profitability slows down. This leverage is a serious concern that could jeopardize the company's financial health.

(178) Therefore, considering the liquidity, solvency and efficiency issues described in recitals (172) to (177) the Commission considered that the company was not in a solid financial situation and presented a high risk profile for potential lenders and investors.

(179) The Commission considered that the overall financial situation of the group corresponds to a B rating, which does not qualify as 'investment grade'.

(180) Based on publicly available data on Bloomberg, the Commission used as a benchmark the premium expected on bonds issued by firms with a B rating, which was applied to the PBOC Loan Benchmark Rate, or after 20 August 2019 to the Loan Prime Rate as announced by the NIFC in order to determine the market rate.

(181) That mark-up was thus determined by calculating the relative spread between the indices of US AA rated corporate bonds to US B rated corporate bonds based on Bloomberg data for industrial segments. The relative spread thus calculated was then added to the PBOC Loan Benchmark Rate, or after 20 August 2019 to the Loan Prime Rate published by the NIFC, at the date when the loan was granted ([82]) and for the same duration as the loan in question. This was done individually for each loan provided to the examined companies in the group.

3.6.4.4. Conclusion on preferential financing: loans

(182) The Commission established that the Guanhao Group benefited from preferential financing through loans during the investigation period. In view of the existence of a financial contribution, a benefit to the exporting producers and specificity, the Commission considered preferential financing through loans a countervailable subsidy.

(183) In the absence of cooperation by any Chinese financial institution, the Commission had to resort to an out-of-country benchmark. The Commission considered that the US market was of an equivalent size and offered available representative statistics as far as bonds of various credit ratings are concerned. The Commission also noted that no interested party proposed valid alternative out-of-country benchmark in this regard.

(184) The subsidy rates established with regard to the preferential financing through loans during the investigation period for the Guanhao Group amounted to 20,29 %.

3.6.5. *Preferential financing: other types of financing*

3.6.5.1. Credit lines

(185) The purpose of a credit line is to establish a borrowing limit that the company can use at any time to finance its current operations thus making working capital financing flexible and immediately available when needed. The credit line agreements granted to the examined group refer to the various forms of financing available to the companies signing such agreements, which cover all types of short-term financing, such as short-term loans, bank acceptances, letters of credit, etc. Furthermore, according to financial literature, credit lines are also prevalent in a

([82]) In case of fixed interest loans. For variable interest rate loans, the PBOC benchmark rate during the IP was taken.

majority of cases in market economies. For example, they account for over 80 % of the bank financing provided to U.S. public firms ([83]). Furthermore, in Canada, where bank acceptances are a direct and unconditional liability of the accepting bank (as is the case in China), banks would normally only accept bank acceptance draws from corporate borrowers that have an established line of credit with that bank ([84]). Therefore, the Commission considered that in principle, all short-term financing of the examined companies, such as short-term loans, bank acceptance drafts etc., should be covered by a credit line instrument ([85]).

(a) Findings of the investigation

(186) The Commission established that Chinese financial institutions provided credit lines to the examined companies of the Guanhao Group in connection with the provision of financing. These consisted of framework agreements, under which the bank allowed the examined companies to use various debt instruments, such as working capital loans, bank acceptance drafts and other forms of trade financing within a certain maximum amount.

(187) As mentioned in recital (185) above, all short-term financing should be covered by a credit line. Therefore, the Commission compared the amount of the credit lines available to the cooperating companies during the investigation period with the amount of short-term financing used by these companies during the same period to establish whether all short-term financing was covered by a credit line. Where the amount of the short-term financing exceeded the credit line limit, the Commission increased the amount of the existing credit line by the amount actually used by the exporting producers beyond that credit line limit.

(b) Benefit

(188) Under normal market circumstances, credit lines would be subject to a so-called 'arrangement' or 'commitment' fee to compensate for the bank's costs and risks at the opening of a credit line ([86]). These fees cover administrative costs, such as the cost of processing the application, and performing security checks, but also the cost stemming from the prudential requirements imposed on banks, since the capital committed under a credit line diminishes the capital ratios of the bank, which it needs to maintain to ensure against systemic risks. However, the Commission established that the examined companies of the Guanhao Group benefited from credit lines provided free of charge. Therefore, a benefit was conferred to the examined companies of the Guanhao Group within the meaning of Article 6(d) of the basic Regulation.

(c) Specificity

(189) As mentioned in recital (132), according to Decision No 40 financial institutions shall provide credit support to encouraged industries.

(190) The Commission considered that since credit lines are intrinsically linked to all types of short-term financing provided to the examined companies of the Guanhao Group, they should be considered as a form of a preferential financial support by financial institutions to encouraged industries such as the LWTP sector. As specified in Section 3.3 above, the LWTP sector is among the encouraged industries and is therefore eligible for all possible financial support.

([83]) https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosTrabajo/08/Fic/dt0821e.pdf.
([84]) https://www.bankofcanada.ca/wp-content/uploads/2018/06/SDP-2018-6.pdf.
([85]) See recital (346) of the GFF case and recital (530) of the BEV case (provisional Regulation).
([86]) See for example: https://en.wikipedia.org/wiki/Line_of_credit, https://users.ssc.wisc.edu/~jchoi266/Choi_Jason_JMP.pdf, https://pages.stern.nyu.edu/~sternfin/vacharya/public_html/pdfs/working-papers/ARFE_ContingentCredit_AJS.pdfARFE_ContingentCredit_AJS.pdf (nyu.edu), https://www.business.hsbc.uk/-/media/library/business-uk/pdfs/156-business-banking-price-list.pdf.

(d) Calculation *of the subsidy amount*

(191) In accordance with Article 6(d)(ii) of the basic Regulation, the Commission considered the benefit conferred on the recipients to be the difference between the amount that they paid as a fee for the opening of the credit lines by Chinese financial institutions, and the amount that they would pay for a comparable commercial credit line obtained at an undistorted market rate.

(192) None of the examined companies of Guanhao Group paid a fee for their credit line. Similarly, the Commission did not find any in-country credit line fees in previous investigations. Publicly available information seems to suggest that in some cases, credit line charges are levied for companies in China ([87]), but the level of these fees could not be found. Therefore, the Commission sought an appropriate benchmark fee outside China. The rates for the arrangement fee were thus established at 1,75 % by reference to publicly available data ([88]).

(193) In principle, the arrangement fees are payable on a lump sum basis at the time of the opening of a new credit line or the renewal of an existing credit line respectively. However, for calculation purposes, the Commission took into account credit lines which had been opened or renewed before the investigation period, but which were available to the examined companies during the investigation period and also the credit lines that were opened during the investigation period.

3.6.5.2. Discounted bills

(a) Findings of the investigation

(194) The investigation showed that Chinese financial institutions discounted receivables to the Guanhao Group group in return for cash.

(195) Through this operation, financial intermediaries advanced amounts of receivables before their due date. The companies received early funds by transferring the rights of future receivables to financial institutions after the deduction of fees and the applicable discount rates. The applicable discount rate should specifically compensate for the risk of default, which is highly influenced by the credit rating of the last entity liable to meet the payment obligation.

(b) Benefit

(196) As established in previous investigations ([89]), under normal market circumstances, the applicable discount rate should compensate for the bank's costs and risks. As explained in Sections 3.5.1 and 3.5.2 above, the loans provided by Chinese financial institutions reflect substantial government intervention, in particular affecting the credit rating of the exporting producers, and do not reflect rates that would normally be found in a functioning market

(197) The benefit thus conferred on the recipients would be the difference between the discount rate applied by Chinese financial institutions and the discount rate applicable for a comparable operation on the market, for instance a loan.

(c) Specificity

(198) Concerning specificity, as mentioned in recital (189) according to Decision No 40, financial institutions shall provide credit support to encouraged industries.

([87]) See example Bank of China: Credit Line https://www.bankofchina.com/en/cbservice/cb2/cb22/200806/t20080630_1324055.html (bankofchina.com).
([88]) https://www.metrobankonline.co.uk/business/borrowing/products/business-overdrafts/ consulted on 24.2.2025.
([89]) See GFF case recitals (413) to (419).

(199) As established in previous investigations ([90]), the Commission considered that discounted bills are another form of preferential financial support by financial institutions to encouraged industries such as the LWTP sector. Indeed, as specified in Section 3.3 above, the LWTP sector is among the encouraged industries and is therefore eligible for all possible financial support. Discounted bills, as a form of financing, are part of the preferential financial support system by financial institutions to encouraged industries, such as the LWTP industry.

(200) No evidence was provided that any undertaking in the PRC (other than within encouraged industries) can benefit from discounted bills under the same preferential terms and conditions.

(d) Calculation of the subsidy amount

(201) As mentioned in recital (194), the Commission found that the examined group used discounted bills to address its needs for short-term financing.

(202) In accordance with Article 6(b) of the basic Regulation, considering that discounted bills are a form of short-term financing and that they effectively have the same purpose as short-term working capital loans, the Commission considered that the benefit thus conferred on the recipients is the difference between the discount rate actually paid and the amount that it should pay by applying a short-term financing interest rate.

(203) The Commission determined the benefit resulting from the non-payment of a short-term financing cost. The Commission considered that discounted bills should bear a cost equivalent to a short-term loan financing. Therefore, the Commission applied the same methodology as to short-term loans financing denominated in CNY, described in Section 3.6.4.3.

3.6.5.3. Conclusion on other types of preferential financing

(204) The Commission established that the examined company benefited from preferential financing in the form of credit lines and discounted bills. In view of the existence of a financial contribution, a benefit to the exporting producers and specificity, the Commission considered these types of preferential financing a countervailable subsidy.

(205) The subsidy rate established with regard to the preferential financing described above during the investigation period for the Guanhao Group amounted to 2,82 %.

3.7. **Preferential insurance: export credit insurance**

(206) The complainant alleged that Sinosure provided preferential export credit insurance, on a concessional basis to encouraged industries, such as the LWTP industry. On its general website, Sinosure states that it promotes Chinese exports of goods, especially the exporting of high-tech products. According to a study undertaken by the Organisation for Economic Co-operation and Development ('OECD'), the Chinese high-tech industry, of which the LWTP industry is part, received 21 % of the total export credit insurance provided by Sinosure ([91]). Furthermore, Sinosure has taken an active role in fulfilling the 'Made in China 2025' initiative, guiding enterprises to use national credit resources, carrying out scientific and technological innovation and technological upgrading, and helping 'going out' enterprises become more competitive in the global market ([92]).

(a) Legal basis

(1) Notice on the Implementation of the Strategy of Promoting Trade through Science and Technology by Utilising Export Credit Insurance (Shang Ji Fa [2004] No 368), issued jointly by MMAEOM and Sinosure;

([90]) See GFF case recitals (413) to (419).
([91]) OECD Study on Chinese export credit policies and programmes, page 7, para. 32, available at https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/ECG(2015)3&doclanguage=en, last accessed on 18 August 2021.
([92]) See Sinosure website, Company profile, Supporting 'Made in China', https://www.sinosure.com.cn/en/Resbonsiblity/smic/index.shtml, last accessed on 17 August 2021.

(2) 840 plans included in the Notice by the State Council of 27 May 2009.

(3) Notice on Cultivation and Development of the State Council on Accelerating Emerging Industries of Strategic Decision (GuoFa [2010] No 32 of 18 October 2010), issued by the State Council and its Implementing Guidelines (GuoFa [2011] No 310 of 21 October 2011).

(4) Notice on the issuance of the 2006 edition of China's High-tech Products Export Catalogue No 16 of the National Science and Technology Department (2006).

(b) Findings of the investigation

(207) The examined LWTP exporting producer had outstanding export insurance agreements with Sinosure during the investigation period.

(208) As mentioned in recital (85) above, Sinosure failed to provide information concerning the investment income reported in its annual report, evidence concerning issues relating to its financial statement such as operating expenses, revenues, investment incomes, overall sum insured, sum insured of the paper-making industry sector; information on its articles of association, information concerning examined producers despite the existence of relevant company authorizations and supporting information concerning the independence of its credit risk assessment system.

(209) Therefore, the Commission had to complement the information provided by facts available.

(210) According to information provided in previous anti-subsidy investigations ([93]) and according to Sinosure's website ([94]), Sinosure is a State-owned policy-oriented insurance company established and supported by the State to support the PRC's foreign economic and trade development and cooperation. The company is 100 % owned by the State. It has a board of directors and a board of supervisors. The Government has the power to appoint and dismiss the company's senior managers. Based on this information, the Commission concluded that there are formal indicia of government control with respect to Sinosure.

(211) The Commission further sought information about whether the GOC exercised meaningful control over the conduct of Sinosure with respect to the LWTP industry.

(212) According to the Notice on the issuance of the 2006 edition of China's High-tech Products Export Catalogue No 16, *'products included in the 2006 edition of the Export Catalogue may enjoy preferential policies granted by the State for the export of high-tech products'*.

(213) Furthermore, according to the Notice on the Implementation of the Strategy of Promoting Trade through Science and Technology by Utilising Export Credit Insurance ([95]), Sinosure should increase its support for key industries and products by strengthening its overall support for the export of high and new technology products, including 'information and communications' products. It should treat high and new technology industries, such as the LWTP industry, listed in the China's High-tech Products Export Catalogue, as its business focus and provide comprehensive support in terms of underwriting procedures, approval with limits, claims processing speed and rate flexibility. With regard to rate flexibility, it should give products the maximum premium rate discount within the floating range provided by the credit insurance company.

(214) On this basis, the Commission concluded that the GOC has created a normative framework that had to be adhered to by the managers and supervisors appointed by the GOC and accountable to the GOC. Therefore, the GOC relied on such normative framework to exercise control in a meaningful way over the conduct of Sinosure.

([93]) See Tyres case cited in footnote 5, recital 429.
([94]) https://www.sinosure.com.cn/en/Sinosure/Profile/index.shtml, last accessed on 18 August 2021.
([95]) http://www.mMAEom.gov.cn/aarticle/b/g/200411/20041100300040.html, last accessed on 12 August 2021.

(215) The Commission also sought concrete proof of the exercise of control in a meaningful way based on concrete insurance agreements. During the verification visit, the GOC maintained that in practice Sinosure's premiums were market-oriented and based on risk assessment principles. However, no specific examples with respect to the LWTP industry or the examined companies were provided even though the examined group had provided relevant authorization allowing access to relevant documentation.

(216) In the absence of concrete evidence, the Commission therefore examined the concrete behaviour of Sinosure regarding the insurance provided to the examined companies. This behaviour contrasted with their official stance, as they were not acting based on market principles.

(217) After comparing the total claims paid with the total insured amounts, based on the data in the Sinosure's Annual Report for 2023 ([96]), the Commission concluded that on average Sinosure would need to charge 0,29 % of the insured amount as a premium to cover the cost of the claims (without even taking into account overhead expenses).

(218) In addition, the Commission noted that Sinosure had booked a net loss from its operating activities in 2022 and 2023 ([97]); i.e. the provision of export credit insurance, and that it would be loss making overall if it did not book significant revenues from investment income. As mentioned in recital (85), Sinosure failed to provide information on such investment income.

(219) Therefore, the Commission concluded that the legal framework set out above is being implemented by Sinosure in the exercise of governmental functions with respect to the LWTP sector. Sinosure acted as a public body in the sense of Article 2(b) of the basic Regulation read in conjunction with Article 3(1)(a)(i) of the basic Regulation and in accordance with the relevant WTO case-law. Furthermore, the examined companies of the Guanhao Group received a benefit, since the insurance was provided at rates below the minimum fee needed for Sinosure to cover its operational costs.

(c) Benefit

(220) The Commission considered that the benefit conferred on the recipients is the difference between the amount that the company had actually paid as insurance premium and the amount that it should have paid by applying the external benchmark premium rate mentioned in recital (222).

(d) Specificity

(221) The Commission determined that the subsidies provided under the export insurance programme are specific, because they could not be obtained without exporting and are thus export contingent within the meaning of Article 4(4)(a) of the basic Regulation.

(e) Calculation of the subsidy amount

(222) As Sinosure held a predominant market position during the investigation period, the Commission could not find a market-based domestic insurance premium. Therefore, in line with previous anti-subsidy investigations, the Commission thus used the most appropriate external benchmark, for which information was readily available, i.e. the premium rates applied by the Export-Import Bank of the United States of America to non-financial institutions for exports to OECD countries.

(f) Conclusion

(223) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,69 %.

([96]) Sinosure Annual Report 2023, p. 3. www.sinosure.com.cn/images/xwzx/ndbd/2024/07/09/961D4764432B71CF10660C000F29D9F9.pdf.

([97]) 2024 Annual Report of Sinosure provided by the GOC as exhibit C-32 does not include financial report.

3.8. **Grant programmes**

(a) Legal basis

(224) Grants established for the examined Guanhao Group were provided on the basis of:

— Zhanjiang Economic and Technological Development Zone Finance Bureau Provincial Special Fund for Promoting High-Quality Economic Development Enterprise Technological Transformation Zhan Cai Gong (2021) No 89,

— Zhanjiang Economic and Technological Development Zone Finance Bureau Provincial Special Fund for the Development of Advanced Manufacturing Industry (2023) No 37,

— Notice on Continuing the Implementation of the Unemployment Insurance Policy to Support Enterprises and Stabilise Employment jointly issued by the Guangdong Provincial Department of Human Resources and Social Security,

— the Guangdong Provincial Department of Finance, and the Guangdong Provincial Tax Service of the State Taxation Administration (Yue Ren She Gui [2024] No 16),

— Circular of the Zhanjiang Municipal People's Government on Commending the Award-winning Enterprises of the Second Zhanjiang Municipal Government Quality Award (Zhan Fu Han [2023] No 135),

— Measures of the Zhanjiang Municipal Administration for Market Regulation (Intellectual Property Office) for Subsidies Supporting Intellectual Property Promotion (Zhan Shi Jian Gui Zi [2020] No 2),

— Notice of the Zhanjiang Municipal Bureau of Commerce on Issuing the Project Plan for the 2024 Special Fund Supporting the Development of Foreign Trade (Zhan Shang Wu [2024] No 318),

— Notice of the Zhanjiang Municipal Finance Bureau on Adjusting and Allocating the Provincial Special Fund for Promoting the Development Level of an Open Economy (Eight Measures for Stabilising Foreign Trade) (First Batch) (Zhan Cai Gong [2024] No 46),

— Notice of the Zhanjiang Municipal Bureau of Commerce on Issuing the Project Plan for the 2023 Special Fund Supporting the Development of Foreign Trade (Zhan Shang Wu [2024] No 162).

(b) Findings of the investigation

(225) The Commission found that the Guanhao Group benefitted from several grant programmes. The grants were awarded by provincial and municipal authorities or within Zhanjiang Economic and Technological Development Zone. Evidence of the existence of grants and the fact that they had been granted by various levels of the GOC was initially provided by the examined company and confirmed by its financial statements and during the verification visits.

(226) With regard to other LWTP producers, details of grants and any legal basis for them, was not disclosed to the Commission. As mentioned in recital (84), the GOC also failed to provide such information.

(c) Benefit

(227) These grants constituted subsidies within the meaning of Article 3(1)(a)(i) and Article 3(2) of the basic Regulation, as a transfer of funds from the GOC in the form of grants to the examined group of companies took place that conferred a benefit equal to the amount of the grant.

(d) Specificity

(228) The Commission assessed all the grants received by the examined companies and found that not all were specific to the production of LWTP. However, the grants related to technology, innovation and development, reduction of unemployment, and industrial support and promotion were considered to be specific within the meaning of Articles 4(2)(a) and 4(3) of the basic Regulation given that, they appear to be limited to certain companies, certain industries, or specific projects in specific regions.

(229) Furthermore, some of the grants were considered to be specific within the meaning of Article 4(4)(a) of the basic Regulation given that, they appear to be contingent upon export performance.

(e) Calculation of the subsidy amount

(230) The benefit was calculated as the amount received in the investigation period or allocated to the investigation period where the amount was depreciated over the useful life of the fixed asset to which the grant received before the investigation period was related. However, based on the Guidelines for the Calculation of the Amount of Subsidy in Countervailing Duty Investigations ([98]), non-recurring subsidies received in the IP, which amounted to less than 1 % ad valorem, were expensed, even when they were linked to the purchase of fixed assets. This allocation method is fully in line with the WTO report from the informal group of experts which provides that grants for which the purpose is for the purchase of fixed assets should be allocated while *'it was deemed appropriate, primarily from the standpoint of administrative convenience, that very small subsidies be expensed regardless of type or other considerations. A level of less than 0,5 per cent of sales for any individual subsidy is recommended for this threshold'* ([99]).

(f) Conclusion

(231) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,13 %.

3.9. **Government provision of goods and services for less than adequate remuneration ('LTAR')**

3.9.1. *Government provision of land use rights for less than adequate remuneration*

(232) All land in the PRC is owned either by the State or by a collective, constituted of either villages or townships, before the land's legal or equitable title may be patented or granted to corporate or individual owners. All parcels of land in urbanised areas are owned by the State and all parcels of land in rural areas are owned by the villages or townships.

(233) Pursuant to the PRC Constitution and the Land Law, companies and individuals may however purchase 'land use rights' ('LUR'). For industrial land, the leasehold is normally 50 years, renewable for a further 50 years.

(234) The GOC indicated that LUR are neither goods (tangible or movable personal property other than money ([100])) nor services, thus consequently the alleged programme does not constitute 'provisions of goods or services at LTAR' as per Article 3(1)(a)(iii) of the basic Regulation.

(235) The Commission disagreed with this allegation. First, the Manual on Statistics of International Trade in Services ('the Manual') on which the GOC relies to allege that LUR are not services, contains a category relating to '… *government services not included elsewhere*' which are identified as main components of standard services. In addition, irrespective of the legal means by which the land, is acquired, it remains that the provision of LURs amounts *in fine* to the provision of land. In this regard, the WTO Dispute Settlement Body already confirmed that land is considered an 'immovable' good and that Article 1.1(a)(1)(iii) of the SCM Agreement may apply ([101]). Thus, provision of LUR is a provision of goods or services.

([98]) 98/C 394/04 (OJ C 394, 17.12.1998, p. 6).
([99]) G/SCM/W/Rev.2*.
([100]) Softwood Lumber IV Panel Report, paras. 7.23-7.24.
([101]) WTO Panel Report, United States – Preliminary Determinations With Respect To Certain Softwood Lumber From Canada, WT/DS236/R, paras. 5.4 et seq (adopted on 1 November 2002).

(a) *Legal basis / Regulatory framework*

(236) The land-use right provision in China falls under Land Administration Law of the People's Republic of China ([102]). In addition, also the following documents are part of the legal basis:

(1) Articles 205-462 of the Civil Code which entered into force in January 2021, and in particular Articles 246, 260-261 and 330-361;

(2) Land Administration Law of the People's Republic of China (Order of the President of the People's Republic of China No 28) ([103]) as last amended in 2019 by Order of the President of the PRC No 32;

(3) Law of the People's Republic of China on Urban Real Estate Administration (Order of the President of the People's Republic of China No29) ([104]) amended in 2019 and published under the Order of the President of the PRC No 32;

(4) Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (Decree No 55 of the State Council of the People's Republic of China) ([105]) amended on 29 November 2020 as the State Council decree No 732;

(5) Regulation on the Implementation of the Land Administration Law of the People's Republic of China (Order of the State Council of the People's Republic of China [2014] No 653) ([106]) amended in 2021 by Order of State Council No 743);

(6) Provision on Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (Announcement No 39 of the CSRC) ([107]); and

(7) Notice of the State Council on the Relevant Issues Concerning the Strengthening of Land Control (Guo Fa (2006) No 31) ([108]).

(a) Findings of the investigation

(237) According to Article 10 of the Provision on Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation, local authorities set land prices according to the urban land evaluation system, which is updated every three years, and the government's industrial policy.

(238) In previous investigations ([109]), the Commission found that prices paid for LURs in the PRC were not representative of a market price determined by free market supply and demand, since the auctioning system was found to be unclear, non-transparent and not functioning in practice, and prices were found to be arbitrarily set by the authorities. As mentioned in the previous recital, the authorities set the prices according to the urban land evaluation system, which instructs them among other criteria to consider also industrial policy when setting the price of industrial land.

(239) The above evidence contradicts the claims of the GOC that the prices paid for LUR in the PRC are representative of a market price, which is determined by free market supply and demand.

(240) The Commission also recalled that the GOC failed to provide information with regard to the acquisition of land by the producers/exporters of LWTP. As explained in recital (87) those failures were among the points raised in the Article 28 Letter.

([102]) See Land Administration Law of the PRC of 25 June 1986, as amended, available at: https://www.fao.org/faolex/results/details/en/c/LEX-FAOC003560.

([103]) See Regulation on the Implementation of the Land Administration Law of the PRC of 27 December 1998, as amended, available at: https://www.fao.org/faolex/results/details/en/c/LEX-FAOC170451.

([104]) See https://law.pkulaw.com/chinalaw/d8db5e659bc282b9bdfb.html.

([105]) See https://law.pkulaw.com/chinalaw/66cde758ad66f43bbdfb.html.

([106]) See https://law.pkulaw.com/chinalaw/6ef282863f024c04bdfb.html.

([107]) See https://law.pkulaw.com/chinalaw/58891db210496a5fbdfb.html?keyword=%E5%9B%BD%E6%9C%89%E5%BB%BA%E8%AE%BE%E7%94%A8%E5%9C%B0%E4%BD%BF%E7%94%A8%E6%9D%83.

([108]) See https://www.gov.cn/zwgk/2006-09/05/content_378186.htm.

([109]) See HRF case recitals (295) to (299), Tyres case recitals (488) to (490), GFF case recitals (500) to (502), OFC case recitals (541) to (543), ACF case recitals (540) to (548), BEV case recitals (681) to (683).

(b) Benefit

(241) The findings of this investigation show that the situation concerning acquisition of LUR in the PRC is non-transparent and the prices were arbitrarily set by the authorities.

(242) Therefore, the provision of land-use rights by the GOC should be considered a subsidy within the meaning of Article 3(1)(a)(iii) and Article 3(2) of the basic Regulation in the form of provision of goods, which confers a benefit upon the recipient companies. As explained in recitals (232) to (233) and (237) to (239) above, there is no functioning market for land in the PRC and the use of an external benchmark (see recital (246)) demonstrates that the amount paid for land-use rights by the examined exporting producer is well below the normal market rate.

(c) Specificity

(243) In the context of preferential access to industrial land for companies belonging to certain industries, the Commission noted that the price set by local authorities has to take into account the government's industrial policy, as mentioned above in recital (238). Within this industrial policy, the LWTP as part of part of the paper-making industry is an encouraged industry. In addition, according to Decision No 40 of the State Council, public authorities shall take into account 'The Guiding Catalogue of the Industrial Restructuring' and the industrial policies when providing land. Article XVIII of Decision No 40 makes clear that industries that are 'restricted' will not have access to land use rights. It follows that the subsidy is specific under Article 4(2)(a) and 4(2)(c) of the basic Regulation because the preferential provision of land is limited to companies belonging to certain industries, in this case the LWTP industry, and government practices in this area are unclear and non-transparent.

(d) Calculation of the subsidy amount

(244) As in previous investigations ([110]) and in accordance with Article 6(d)(ii) of the basic Regulation, land prices from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu ('Chinese Taipei') were used as an external benchmark ([111]). The benefit conferred on the recipients is calculated by taking into consideration the difference between the amount actually paid by examined exporting producer (i.e. the actual price paid as stated in the contract and, when applicable, the price stated in the contract reduced by the amount of local government refunds/grants) for land use rights and the amount that should normally have been paid on the basis of the Chinese Taipei benchmark.

(245) The Commission considers Chinese Taipei as a suitable external benchmark for the following reasons:

— the comparable level of economic development, GDP and economic structure in Chinese Taipei and a majority of the provinces and cities in the PRC where the sampled exporting producers are based,

— the physical proximity of the PRC and Chinese Taipei,

— the high degree of industrial infrastructure in both Chinese Taipei and many provinces of the PRC,

— the strong economic ties and cross border trade between Chinese Taipei and the PRC,

— the high density of population in many of the provinces of the PRC and in Chinese Taipei,

— the similarity between the type of land and transactions used for constructing the relevant benchmark in Chinese Taipei with those in the PRC, and

— the common demographic, linguistic and cultural characteristics between Chinese Taipei and the PRC.

([110]) See Tyres case, GFF case, OFC case, and ACF case.
([111]) Upheld by the General Court in Case T-444/11 Gold East Paper and Gold Huacheng Paper versus Council, Judgment of the General Court of 11 September 2014 ECLI:EU:T:2014:773.

(246) Following the methodology applied in previous investigations ([112]), the Commission used the average land price per square meter established in Chinese Taipei corrected for inflation and GDP evolution as from the dates of the respective LUR contracts. The information concerning industrial land prices as of 2015 was retrieved from the website of the Industrial Bureau of the Ministry of Economic Affairs of Taiwan ([113]). For the previous years, the prices were corrected using the inflation rates and evolution of GDP per capita at current prices in USD for Chinese Taipei as published by the IMF for 2015.

(247) The GOC claimed that the above benchmark is not correct as the Commission is comparing the price for land ownership in Chinese Taipei with the price of land use rights for the limited duration in the PRC.

(248) In this respect, the Commission noted that the selection of Chinese Taipei as a benchmark was based on the examination of several factors listed in recital (245) above. The Commission considered however, that even if there were certain differences in the market conditions between land use rights in mainland China and sale of land in Chinese Taipei, these would not be of such nature to invalidate the choice of Chinese Taipei as a valid benchmark. The Commission could not identify during the course of the investigation any other adequate benchmark or adjustment method that would adequately reflect these differences in the market conditions.

(e) Conclusion

(249) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,13 %.

3.10. **Revenue foregone through tax exemption and reduction programmes**

3.10.1. *Enterprise Income Tax ('EIT') reduction for high and new technology enterprises*

(250) According to the Law of the People's Republic of China on Enterprise Income Tax ('EIT Law'), high and new technology enterprises to which the State needs to give key support benefit from a reduced enterprise income tax rate of 15 % rather than the standard tax rate of 25 %.

(a) Legal basis

(251) The legal basis of this programme is Article 28 of the EIT Law and Article 93 of the Implementation Rules for the Enterprise Income Tax Law of the PRC ([114]), as well as:

— Circular of the Ministry of Science and Technology, Ministry of Finance and the State Administration of Taxation on revising and issuing Administrative Measures for the Recognition of High-Tech Enterprises (No 32 of 2016),

— Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Revising and Issuing the Guidelines for the Administration of Accreditation of High-tech Enterprises, (No 195 of 2016),

— Announcement of the State Administration of Taxation on the Application of Preferential Income Tax Policies to High-tech Enterprises (Announcement No 24 of 2017);

— The 2016 Catalogue of High-tech Fields Supported by the State ([115]).

(252) Chapter IV of the EIT Law contains provisions regarding 'Preferential Tax Treatment'. Article 25 of the EIT Law, which stands as a chapeau for Chapter IV, provides that *'The State will offer income tax preferences to Enterprises engaged in industries or projects the development of which is specially supported and encouraged by the State'*. Article 28 of the EIT law provides that *'the rate of enterprise income tax on high and new technological enterprises needing special support of the State shall be reduced to 15 %'*.

([112]) See GFF, OCS, Solar panels, OFC and BEV cases.
([113]) https://lvr.land.moi.gov.tw.
([114]) Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (Revised in 2019) – Order of the State Council of the People's Republic of China No 714.
([115]) http://kj.quanzhou.gov.cn/wsbs/xgxz/201703/t20170322_431820.htm.

(253) Article 93 of the Implementation Rules for the Enterprise Income Tax Law clarifies that:

"The important high and new technology enterprises to be supported by the state" as referred to in Clause 2 of Article 28 of the Enterprise Income Tax Law refer to the enterprises which own key intellectual property rights and satisfy the following conditions:

1. *Complying with the scope of the Key State Supported High and New Technology Areas;*
2. *The proportion of the research and development expense in the sales revenue shall be no less than the prescribed proportion;*
3. *The proportion of the income from high-tech technology/product/service in the enterprise's total revenue shall be no less than the prescribed proportion;*
4. *The proportion of the technical personnel in the enterprise's total employees shall be no less than the prescribed proportion;*
5. *Other conditions prescribed in the Measures for the Administration of High-Tech Enterprise Identification.*

Measures for the Administration of High-Tech Enterprise Identification and Key State Supported High and New Technology Areas shall be jointly formulated by the technology, finance and taxation departments under the State Council and come into effect after approved by State Council'.

(254) The above-mentioned provisions clearly specify that the reduced enterprise income tax rate is reserved to '*important high and new technology enterprises to be supported by the State*' which own key intellectual property rights and satisfy certain conditions such as '*complying with the scope of the Key State Supported High and New Technology Areas*'.

(255) According to Article 11 of the Administrative Measures for the Recognition of High-Tech Enterprises, to be recognised as high-tech an enterprise must simultaneously meet certain conditions among which: *'it has obtained the ownership of intellectual property rights, which plays a central role in technically supporting its main products (services), through independent research, transfer, grant, mergers and acquisitions, etc.'* and *'the technology that plays a central role in technically supporting its main products (services) is within the range predetermined in the "high-tech fields supported by the state".'*

(256) Companies benefiting from this measure have to file their income tax return and the relevant annexes. The actual amount of the benefit is included in the tax return.

(b) Findings of the investigation

(257) The Commission found that the examined LWTP producer qualified as a high-tech company during the investigation period and thus enjoyed a reduced EIT rate of 15 %.

(c) Benefit

(258) The Commission considered that the tax offset at issue is a subsidy within the meaning of Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation because there is a financial contribution in the form of revenue foregone by the GOC that confers a benefit to the companies concerned. The benefit for the recipients is equal to the tax saving.

(d) Specificity

(259) This subsidy is specific within the meaning of Article 4(2)(a) of the basic Regulation as the legislation itself limits the application of this scheme only to enterprises that are operating in certain high technology priority areas determined by the State. The LWTP industry is such a high technology priority.

(260) Thus, the legislation pursuant to which the granting authority operates, explicitly limits access to a subsidy to certain companies and sectors.

(e) Calculation of amount

(261) The amount of countervailable subsidy was calculated in terms of the benefit conferred on the recipients during the investigation period. This benefit was calculated as the difference between the total tax payable according to the normal tax rate and the total tax payable under the reduced tax rate.

(f) Conclusion

(262) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,45 %.

3.10.2. *Preferential pre-tax deduction of research and development expenses*

(263) The tax offset for research and development entitles companies to preferential tax treatment for their R&D activities in certain high technology priority areas determined by the State and when certain thresholds for R&D spending are met.

(264) More specifically, R&D expenses incurred by an enterprise when it conducts any R&D activity, an extra 100 % of the amount of R&D expenses actually incurred shall be deducted before tax payment, in addition to the deduction of actual expenses as prescribed, as of 1 January 2023, provided that the said expenses are not converted into intangible assets and included in the current profits and losses.

(265) If the said expenses have been converted into intangible assets, such expenses may be amortised at the rate of 200 % of the costs of the intangible assets before tax payment as of 1 January 2023.

(a) Legal basis

(266) The legal basis for the programme is Article 30(1) of the EIT Law, along with article 95 of the Implementation Rules for the Enterprise Income Tax Law of the PRC as well as the following notices:

— Announcement of the State Administration of Taxation on Issues concerning the Attribution Scope of the Weighted Pre-tax Deduction of R&D Expenses (Announcement No 40 of 2017),

— Announcement of the Ministry of Finance and State Administration of Taxation on Further Improving the Policies Regarding Weighted Pre-tax Deduction of R&D Expenses (Announcement No 7 of 2023).

(267) Article 25 of the EIT, which stands as a chapeau for Chapter IV 'Preferential Tax Policies', provides that *'The State will offer income tax preferences to Enterprises engaged in industries or projects the development of which is specially supported and encouraged by the State*'.

(b) Findings of the investigation

(268) The Commission found out that the examined companies of the Guanhao Group enjoyed an additional deduction on research and development expenses incurred from the research and development of new technologies, new products and new techniques.

(c) Benefit

(269) The Commission considered that the tax offset at issue is a subsidy within the meaning of Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation because there is a financial contribution in the form of revenue foregone by the GOC that confers a benefit to the companies concerned. The benefit for the recipients is equal to the tax saving.

(d) Specificity

(270) This subsidy is specific within the meaning of Article 4(2)(a) of the basic Regulation as the legislation itself limits the application of this measure only to enterprises that incur R&D expenses in certain high technology priority areas determined by the State, such as the LWTP sector. Thus, the legislation pursuant to which the granting authority operates, explicitly limits access to a subsidy to certain enterprises and sectors.

(271) The GOC argued that 'research and development super deductions' is not specific as this is a universal tax policy with the purpose to encourage enterprises to increase their investment in R&D activities. According to the GOC, there are objective criteria and conditions for the application of the programme, and the programme applies automatically when the corresponding conditions are met.

(272) The Commission did not agree with the GOC reading of the laws and implementing measures, which show that the programme is limited to certain sectors and enterprises supported by the GOC on the basis of criteria that do not appear objective or neutral, such as that they comply with the scope of the 'Key State Supported High and New Technology Areas'. This subsidy is specific within the meaning of Article 4(2)(a) of the basic Regulation, as it applies only to enterprises operating in certain high technology areas, such as the LWTP industry. Moreover, Article 30 of EIT Law provides that R&D expenses incurred by enterprises in the field of development of new technologies, new product and new techniques may be additionally deducted at the time of calculating taxable income, Article 95 of the Implementation Rules for the EIT Law explains what the deduction consists of, while Article 4 of the Notice on Improving Reduction of R&D Development Expenses lists the industries for which the pre-tax deduction is not applicable (with a certain degree of discretion, as the list ends with wording '*…and any other industries stipulated by the Ministry of Finance and State Administration of Taxation*').

(e) Calculation of the subsidy amount

(273) The amount of countervailable subsidy was calculated in terms of the benefit conferred on the recipients during the investigation period. This benefit was calculated as the difference between the total tax payable according to the normal tax rate and the total tax payable after the additional 100 % deduction of the actual expenses on R&D.

(f) Conclusion

(274) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,22 %.

3.10.3. *Dividends exemption between qualified resident enterprises*

(275) The EIT Law offers income tax preferences to Enterprises engaged in industries or projects the development of which is specifically supported and encouraged by the State and in particular, exempt from tax the income from equity investment, such as dividends and bonuses, between eligible resident enterprises.

(a) Legal basis

(276) The legal basis for the programme is Article 26(2) of the EIT Law, along with Article 83 of the Implementation Rules for the Enterprise Income Tax Law of the PRC.

(277) Article 25 of the EIT, which stands as a chapeau for Chapter IV 'Preferential Tax Policies', provides that *'The State will offer income tax preferences to Enterprises engaged in industries or projects the development of which is specially supported and* encouraged *by the State'*. Furthermore, Article 26(2) specifies that the tax exemption is applicable to income from equity investments between *'eligible resident enterprises',* which appears to limit its scope of application to only certain resident enterprises.

(b) Findings of the investigation

(278) The Commission found that one company in the examined group received an exemption from tax of dividend income between qualified resident enterprises.

(c) Benefit

(279) The Commission considered that this scheme is a subsidy under Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation because there is a financial contribution in the form of revenue foregone by the GOC that confers a benefit to the companies concerned. The benefit for the recipients is equal to the tax saving.

(280) The GOC claimed that this programme had a purpose of avoiding double taxation and did, therefore, not grant enterprises additional tax benefits by forgoing or not collecting revenue otherwise due.

(281) Although the Commission agreed that the elimination of double taxation is an internationally recognised tax practice, it does not apply equally across all countries. The GOC failed to show how the deduction in question avoids double taxation specifically (namely, by showing that the dividends subject to the exemption are taxed elsewhere and the rule only captures situations of double imposition). The claim was therefore rejected.

(d) Specificity

(282) This subsidy is specific within the meaning of Article 4(2)(a) of the basic Regulation as the legislation itself limits the application of this exemption only to qualified resident enterprises which have the major support of, and the development of which is encouraged by the State. Thus, the legislation pursuant to which the granting authority operates, explicitly limits access to a subsidy to certain enterprises and sectors.

(e) Calculation of the subsidy amount

(283) The Commission has calculated the amount of the subsidy by applying the normal tax rate to the dividend income that has been deducted from taxable income.

(f) Conclusion

(284) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 2,04 %.

3.10.4. *VAT additional deduction for advanced manufacturing enterprises.*

(285) Under this scheme, from 1 January 2023 to 31 December 2027, so called advanced manufacturing enterprises are permitted to claim an additional 5 % deduction on their current period's deductible input VAT against their VAT payable (Additional Deduction Policy).

(a) Legal basis

(286) The legal basis for the programme is Announcement on VAT Additional Deduction Policy for Advanced Manufacturing Enterprises MOF/STA Announcement [2023] No 43.

(b) Findings of the investigation

(287) The Commission found that the examined companies of the Guanhao Group received VAT deductions under this scheme.

(c) Benefit

(288) The Commission considered that this scheme is a subsidy under Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation because there is a financial contribution in the form of revenue foregone by the GOC that confers a benefit to the companies concerned. The benefit for the recipients is equal to the tax saving.

(d) Specificity

(289) This subsidy is specific within the meaning of Article 4(2)(a) of the basic Regulation as the legislation itself limits the application of this deduction only to so called 'advanced manufacturing enterprises' which are actually high and new technology enterprises, recognized on the basis of the Notice of the Ministry of Science and Technology, Ministry of Finance, and State Taxation Administration on Revising and Issuing the Administrative Measures for the Recognition of High and New Technology Enterprises (Guokefahuo [2016] No 32).

(290) Furthermore, according to the Announcement [2023] No 43. '*Specific lists of advanced manufacturing enterprises* [is] *determined by the industry and information technology departments of each province, autonomous region, municipality directly under the Central Government, and separately listed city, in conjunction with the science and technology, finance, and tax departments at the same level*.'

(291) Thus, the legislation pursuant to which the granting authority operates, explicitly limits access to a subsidy to certain enterprises and sectors.

(e) Calculation of the subsidy amount

(292) The Commission has calculated the amount of the subsidy as the amount received by the company in the investigation period in the form of additional return of the input VAT under this deduction.

(f) Conclusion

(293) The subsidy rate established regarding this scheme during the investigation period for the Guanhao Group amounted to 0,37 %.

3.11. **Other Schemes**

(294) The Memorandum on sufficiency of evidence listed other schemes for which there was sufficient evidence in the complaint tending to show the existence of countervailable subsidies available for the LWTP exporting producers. The list of such programmes includes but is not limited to:

— Government provision of electricity for less than adequate remuneration

— Government provision of wood pulp for less than adequate remuneration

— Revenue foregone in the form of accelerated depreciation of instruments and equipment used by High Tech enterprises for High-Tech development and production

— Revenue foregone in the form of export tax rebates

— Revenue foregone in the form of VAT and tariff exemption on imported capital goods

— Equity infusions.

(295) In the context of this investigation, the Commission could not conclude on the countervailability of these programmes. This is without prejudice to the Commission examining those measures on the occasion of future reviews, including reviews pursuant to Article 19 of the basic Regulation.

3.12. **Conclusion on subsidization**

(296) The Commission calculated the amount of countervailable subsidies for the individually examined Guanhao Group in accordance with the provisions of the basic Regulation by examining each subsidy or subsidy programme, and added these figures together to calculate a total amount of subsidisation for the group for the investigation period. To calculate the overall subsidisation the Commission first calculated the percentage of subsidisation: the subsidy amount as a percentage of the company's turnover or company export turnover. This percentage was then used to calculate the subsidy amount allocated to exports of the product concerned to the Union during the investigation period. This subsidy amount was later expressed as a percentage of the Costs, Insurance and Freight ('CIF') value of the same export.

(297) Given very low level of cooperation of the exporting producers (6 % of total Chinese exports of the product concerned to the Union) and insufficient cooperation of the GOC, the residual subsidy margin was calculated on the basis of facts available pursuant to Article 28 of the basic Regulation as follows:

(a) The Commission has identified subsidy schemes used by the biggest (non-cooperating) exporting producer and its related companies on the basis of their audited financial statements and trial balances submitted as preliminary response after initiation before ceasing cooperation (see recital (19) and footnote 6). Those schemes were: provisions of LUR and the electricity for less than adequate remuneration, loans, other preferential financing, export guarantees and insurance, grants and income tax benefits.

(b) The Commission applied the highest individual margins for each of the subsidy schemes as identified under (a) found for all the sampled cooperating exporting producers in the six most recent anti-subsidy cases against China. Those cases were: AS641 (Truck tyres), AS656 (Glass fibre fabrics), AS675 (Aluminium converter foil), AS677 (Optical fibre cables), AS689 (Battery electric vehicles) and AS704 (Mobile access equipment) ([116]).

(298) As sampling in this case was abandoned given the lack of cooperation from the initially sampled companies and the very high level of non-cooperation, no average duty for cooperating non sampled companies could be calculated.

(299) On this basis, the countervailable subsidy amounts as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional countervailing margin
Guandong Guanhao High-Tech Co.	28,82 %
All other imports originating in the People's Republic of China	70,55 %

4. INJURY

4.1. Definition of the Union industry and Union production

(300) During the investigation period, the like product was manufactured by five producers in the Union ([117]). They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.

(301) The total Union production during the investigation period was established at 275 469 tonnes. The Commission established the figure on basis of all the available information concerning the Union industry, namely the questionnaire reply provided by ETPA, cross-checked against verified questionnaires replies from sampled Union producers.

(302) As indicated in recital (10), three Union producers were selected for the sample, representing over 80 % of the total Union production of the like product.

([116]) See Implementing Regulation (EU) 2018/1690 ('Tyres case'), Implementing Regulation (EU) 2021/2287 ('ACF case'), and Implementing Regulation (EU) 2020/776 ('GFF case'), Implementing Regulation (EU) 2022/72 ('OFC case'), Commission Implementing Regulation (EU) 2024/2754 of 29 October 2024 imposing a definitive countervailing duty on imports of new battery electric vehicles designed for the transport of persons originating in the People's Republic of China (OJ L, 2024/2754, 29.10.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/2754/oj) ('BEV case'), and Implementing Regulation (EU) 2025/796 ('MAE case').

([117]) There were six producers until the end of 2024, when one ceased operations due to insolvency proceedings.

4.2. **Union consumption**

(303) The Commission established the Union consumption on basis of: (a) ETPA's questionnaire reply data concerning Union industry's sales of the like product, cross-checked against the sales volume reported by sampled Union producers in their verified questionnaire replies; and (b) imports of the product under investigation as recorded by Eurostat.

(304) Union consumption developed as follows:

Table 1

Union consumption

	2022	2023	2024	IP
Total Union consumption (tonnes)	202 716	180 635	189 440	183 413
Index	*100*	*89*	*93*	*90*

Source: Eurostat, verified macro questionnaire.

(305) In the period considered, the Union consumption decreased by 10 %. This evolution should be seen in the context of the exceptionally strong demand recorded in 2022, which follow the recovery from the disruptions caused by the COVID-19 pandemic. In the investigation period, Union consumption was at a similar level as in 2018 ([118]). In the Union, digitalisation draws LWTP's main application (i.e. point of sale uses) down.

4.3. **Imports from the country concerned**

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

(306) The Commission established the volume of imports on the basis of Eurostat statistics. The market share of the Chinese imports was established by comparing import volumes with the Union market consumption.

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

Table 2

Import volume and market share

	2022	2023	2024	IP
Volume of imports from the PRC (tonnes)	2 865	7 742	12 573	14 983
Index	*100*	*270*	*439*	*523*
Market share (%)	1,4	4,3	6,6	8,2
Index	*100*	*303*	*470*	*578*

Source: Eurostat.

(308) During the period considered, the volume of imports of the product concerned from the PRC increased by 423 % and their market share went up from 1,4 % in 2022 to 8,2 % in the investigation period, representing an increase by almost 7 percentage points.

([118]) Table 1 of Commission Implementing Regulation (EU) 2023/1330 of 29 June 2023 imposing a definitive anti-dumping duty on imports of certain lightweight thermal paper originating in the Republic of Korea following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 166, 30.6.2023, p.76, ELI: http://data.europa.eu/eli/reg_impl/2023/1330/oj), which product scope is slightly narrower than the one in the present investigation.

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

(309) The Commission established the prices of imports on the basis of Eurostat statistics.

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

Table 3

Import price

	2022	2023	2024	IP
PRC (EUR/tonne)	2 244	1 966	1 736	1 500
Index	*100*	*88*	*77*	*67*

Source: Eurostat.

(311) According to the complaint, for 2023 and 2024 Eurostat might not accurately reflect actual transaction prices because it does not capture deferred discounts and other retrospective price adjustments granted after importation. As a result, discrepancies may arise in average monthly prices as well as unexplained spikes in average monthly import volumes and prices. The Commission considered that such fluctuations in average monthly prices did not affect the comparison and that Eurostat remained the best information available for the purpose of a price analysis.

(312) In the period considered, the average price of the Chinese imports decreased by 33 %, reaching a level of 1 500 EUR/tonne in the investigation period, that is 724 EUR/tonne less than in 2022.

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

— the weighted average sales prices per product type of the imports from the co-operating Chinese exporting producer 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, and

— the corresponding weighted average sales prices per product type of the three sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level.

(314) 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. On basis of the above, a weighted average undercutting margin of 10,4 % was established for the subsidised Chinese imports on the Union market. 100 % of the imported volumes was found to be undercutting.

(315) Regardless of the existence of significant price undercutting, the Commission also established that the Chinese imports significantly suppressed the prices of part of the Union industry, which had to sell at below costs during the investigation period.

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

4.4.1. *General remarks*

(316) The examination of the impact of the subsidised 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.

(317) As mentioned in Section 1.4.1, sampling was used for the assessment of the economic situation of the Union industry.

(318) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in the macro questionnaire reply submitted on behalf of the Union industry. Those data related to all Union producers. The Commission evaluated the microeconomic indicators on the basis of the data contained in the questionnaire replies from the sampled Union producers. Those data related to the sampled Union producers. Both sets of data were found to be representative of the economic situation of the Union industry.

(319) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the subsidy margin and recovery from past unfair practices.

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

4.4.2. *Macroeconomic indicators*

4.4.2.1. Production, production capacity and capacity utilisation

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

Table 4

Production, production capacity and capacity utilisation

	2022	2023	2024	IP
Production volume (tonnes)	345 446	278 863	294 774	275 469
Index	*100*	*81*	*85*	*80*
Production capacity (tonnes)	396 656	358 047	355 151	347 956
Index	*100*	*90*	*90*	*88*
Capacity utilisation (%)	87	78	83	79
Index	*100*	*89*	*95*	*91*

Source: verified macro questionnaire.

(322) In the period considered, the production volume of the Union industry decreased by 20 % down to 275 469 tonnes in the investigation period. The decrease in the production negatively impacted the capacity utilisation, which decreased by 9 % over the period considered.

(323) Production capacity went down by 12 %. This is partly due to the fact that the Union producer Fjord Paper ceased operations by the end of 2024.

(324) The Commission noted that Table 4 presents only 'dedicated capacity' to LWTP. To the extent that the Union industry is capable of producing other types of paper on the same machines, the 'theoretical capacity' would be almost double than the 'dedicated capacity' under the assumption that all the machines which can produce LWTP produce LWTP at full capacity.

4.4.2.2. Sales volume and market share

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

Table 5

Sales volume and market share

	2022	2023	2024	IP
Sales volume on the Union market (tonnes)	188 472	150 033	155 842	149 254
Index	*100*	*80*	*83*	*79*
Market share (%)	93	83,1	82,3	81,4
Index	*100*	*89*	*88*	*88*

Source: verified macro questionnaire, verified questionnaire replies of the sampled Union producers.

(326) In the period considered, the sales volumes of the Union producers of the product under investigation decreased by 21 %. This decline was significantly steeper than the 10 % decrease in Union consumption (see Table 1), resulting in a 12 % loss of market share for the Union producers. In some instances, Union producers sacrificed volumes to maximise profit.

4.4.2.3. Growth

(327) In the period considered, the consumption of the product concerned decreased by 10 % but the Union industry was not able to maintain its position. In the same period, the market share of the Union industry decreased by 12 %, whereas the market share of the imports from the PRC of the product concerned increased by 478 %.

4.4.2.4. Employment and productivity

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

Table 6

Employment and productivity

	2022	2023	2024	IP
Number of employees	868	862	877	818
Index	*100*	*99*	*101*	*94*
Productivity (tonnes/FTE)	398	324	336	337
Index	*100*	*81*	*84*	*85*

Source: verified macro questionnaire.

(329) In the period considered, employment in the Union decreased by 6 %, down to 818 full-time equivalent jobs. This is partly due to the fact that the Union producer Fjord Paper ceased operations by the end of 2024. The continuous nature of the LWTP production process makes it difficult for producers to meaningfully diminish staff. However, restructuring (including reduction of workforce and working time) and temporary shutdowns took place ([119]).

(330) Productivity fell by 15 %, a drop largely driven by the significant drop in Union production (-20 %) in the same period (see Table 4).

4.4.2.5. Magnitude of the subsidy margin and recovery from past unfair practices

(331) The subsidy margins established were significantly above *de minimis* level. The impact of the magnitude of the subsidisation on the Union industry was substantial given the volume and prices of imports from the country concerned.

(332) Continuous unfairly priced imports from the Republic of Korea prevented the Union industry from recovering from past dumping practices deriving from countries other than the country concerned. Nonetheless, the measures in place had a positive impact on the Union industry, as noted namely in Section 4.6 of Implementing Regulation (EU) 2023/1330.

4.4.3. *Microeconomic indicators*

4.4.3.1. Prices and factors affecting prices

(333) 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 7

Sales prices and cost of production in the Union

	2022	2023	2024	IP
Average unit ex-works sales price in the Union (EUR/tonne)	2 142	2 133	1 905	1 736
Index	*100*	*100*	*89*	*81*
Unit cost of production (EUR/tonne)	1 880	1 952	1 779	1 742
Index	*100*	*104*	*95*	*93*

Source: verified questionnaire replies of the sampled Union producers.

(334) The production of lightweight thermal paper is energy-intensive. Over the period considered, the prices of major factors of production increased substantially, namely pulp (due to scarce availability) and energy (as a result of Russia's war of aggression against Ukraine). In the second part of the period considered, the prices of major inputs normalised, although remained at higher levels than before. This contributed to a unit cost of production which was higher than in the past ([120]). It is also noted that the product mix varied over time, as BPA-containing grades were abandoned and alternative chemicals are more expensive.

([119]) https://www.euwid-paper.com/news/companies/mitsubishi-hitec-paper-to-cut-jobs-at-bielefeld-site-090425/.

([120]) In light of Table 8 of Implementing Regulation (EU) 2023/1330, in the period 2018-2021 the unit cost of production of a similar product was never more than 1 557 EUR/tonne.

(335) In the investigation period, the unit cost of production was above the Union industry's average unit sales prices to unrelated customers in the Union. This showed that the Union industry was subject to significant price suppression, as it was unable to increase its sales prices to recover its costs.

(336) Over the period considered, the average cost of production of the Union industry fell less (-7 %) than the Union industry's average unit sales prices to unrelated customers in the Union (-19 %). The Union industry had to set its prices at an unsustainably low level in order not to lose too much market share in a context of increasing imports from China (+478 %, as per Table 2) at prices significantly below the Union industry prices (see Table 3). However, the Union industry could not fully match those prices without incurring further losses. This price pressure prevented the Union industry from increasing prices in line with the increasing costs.

4.4.3.2. Labour costs

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

Table 8

Average labour costs per employee

	2022	2023	2024	IP
Average labour costs per employee (EUR)	79 188	82 459	82 087	92 211
Index	*100*	*104*	*104*	*116*

Source: verified questionnaire replies of the sampled Union producers.

(338) During the period considered, the average labour costs per employee went up by 16 %, in line with the yearly increases in labour costs in Germany and Finland ([121]). At the same time, the Union industry's employment went down, sometimes via temporary shutdowns and reduced working time (with reduced costs for the Union producer), but sometimes via laying-off the most expensive staff in exchange of dismissal costs.

4.4.3.3. Inventories

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

Table 9

Inventories

	2022	2023	2024	IP
Closing stocks (tonnes)	19 650	14 324	18 847	19 335
Index	*100*	*73*	*96*	*98*
Closing stock as a percentage of production (%)	6,5	5,7	7,1	7,8
Index	*100*	*87*	*109*	*120*

Source: verified questionnaire replies of the sampled Union producers.

([121]) https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/3784.pdf.

(340) During the period considered, the level of the closing stock varied. In the investigation period, it was 2 % lower than in 2022. The closing stock as a percentage of production increased by 20 % over the period considered, namely as a result of lower production levels.

(341) The relative stability of the stock levels was a result of the continuous process of paper production and the fact that production was typically on order. Stock levels may fluctuate for various reasons, be it after or ahead maintenance periods or due to the optimisation of production schedules with a view to limit continuous changes in a production line. Stocks levels *per se* are not considered to be the most meaningful injury indicator for this type of industry.

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

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

Table 10

Profitability, cash flow, investments and return on investments

	2022	2023	2024	IP
Profitability of sales in the Union to unrelated customers (%)	15,2	11,9	9,5	1,9
Index	*100*	*78*	*62*	*13*
Cash flow (000 EUR)	127 969	76 648	50 842	17 670
Index	*100*	*60*	*40*	*14*
Investments (000 EUR)	9 582	10 540	10 228	10 090
Index	*100*	*110*	*107*	*105*
Return on investments (%)	102	38	35	- 1
Index	*100*	*37*	*34*	*- 1*

Source: verified questionnaire replies of the sampled Union producers.

(343) The Commission established the profitability of the 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.

(344) In 2024 the financial situation of the Union industry was already affected by the rise in Chinese imports at low prices. As explained in Section 4.4.3.1, the price pressure from unfair imports on the Union market prevented the Union industry from increasing prices to reflect the increase of costs. As a result, the Union industry was forced to set its prices at an unsustainably low level to maintain sufficient sales volume.

(345) The financial situation of the Union industry worsened significantly in the investigation period, as profitability went down to 1,9 %. Although the Union industry did not become loss-making, its profitability was well below the target profit of 11,5 %, as established in the anti-dumping investigation concerning a very similar product originating in the Republic of Korea ([122]).

([122]) Commission Implementing Regulation (EU) 2016/2005 of 16 November 2016 imposing a provisional anti-dumping duty on imports of certain lightweight thermal paper originating in the Republic of Korea (OJ L 310, 17.11.2016, p. 1, ELI: http://data.europa.eu/eli/reg_impl/2016/2005/oj), recital (140).

(346) The net cash flow is the ability of the Union producers to self-finance their activities. The trend in net cash flow followed closely the one of profitability, the sharpest decline of cash flow occurring in the investigation period.

(347) The production of lightweight thermal paper is an asset-intensive industry. Investments were relatively stable over the period even if values may vary as a result of the diverging or coinciding maintenance and replacement schedules of the different producers. The bulk of the investments aimed at retaining the existing capacities and replacing necessary production assets.

(348) The return on investments is the profit in percentage of the net book value of investments. Consistent with the profitability, it shrank over the period considered.

(349) The ability to raise capital has been negatively affected by the diminishing profitability and cashflow.

4.4.3.5. Conclusion on injury

(350) During the period considered, most injury indicators deteriorated. In particular, production, sales volume, market share, profitability, cash flow and capacity utilisation all declined compared with their level in 2022.

(351) Sales on the Union market declined by 21 %, whereas Union consumption decreased by only 10 %, resulting in a significant loss of market share for the Union industry. Over the same period, imports from the PRC increased substantially in both volume and market share. Profitability and cash flow also deteriorated significantly, while capacity utilisation fell as production volumes declined.

(352) On basis of the above, the Commission concluded that the Union industry suffered material injury within the meaning of Article 8(4) of the basic Regulation.

5. **CAUSATION**

(353) In accordance with Article 8(5) of the basic Regulation, the Commission examined whether the subsidised imports from the country concerned caused material injury to the Union industry. In accordance with Article 8(6) 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 subsidised imports from the country concerned was not attributed to the subsidised imports. The Commission examined imports from third countries, the non-subsidised imports from the PRC and the export performance of the Union industry. No other factors that could have caused the injury to the Union industry was known to exist.

5.1. **Effects of subsidised imports**

(354) As set out in Section 4.5.1, the import volumes of the product concerned from the PRC increased significantly over the period considered. Preferential conditions in the PRC boosted the exporting producers' ability to increase their exports to the EU fivefold over the period considered. Whereas the market share of the Union industry decreased by 11,6 percentage points in that period, the market share of Chinese imports increased by 6,8 percentage points. Moreover, prices of these imports from China undercut the Union industry's prices by 10,4 % on average and significantly suppressed Union prices. These imports therefore had a significant impact both on the Union industry's sales volume and market share, and on its prices and profitability, which became barely 1,9 %. Production, capacity utilisation and cash flow also deteriorated over the period considered.

(355) In light of the above, the Commission concluded that subsidised imports had a material negative impact on the situation of the Union industry.

5.2. **Effects of other factors**

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

5.2.1. *Imports from other countries*

(357) The Commission established the imports from other third countries on the basis of Eurostat data.

(358) Apart from the PRC, the product under investigation was imported into the Union from several other countries which collectively accounted for 10,5 % of the market share in the investigation period:

Table 11

Imports from other countries (in tonnes)

Country		2022	2023	2024	IP
Republic of Korea	Volume (in tonnes)	5 694	15 769	16 646	15 731
	Index	*100*	*277*	*292*	*276*
	Market share (%)	2,8	8,7	8,8	8,6
	Average price (EUR/tonne)	1 850	1 770	1 816	1 716
	Index	*100*	*96*	*98*	*93*
United States	Volume (in tonnes)	1 804	2 039	2 463	2 511
	Index	*100*	*113*	*137*	*139*
	Market share (%)	0,9	1,1	1,3	1,4
	Average price (EUR/tonne)	3 546	4 564	4 707	4 490
	Index	*100*	*129*	*133*	*127*
Other third countries	Volume (in tonnes)	3 882	5 052	1 916	934
	Index	*100*	*130*	*49*	*24*
	Market share (%)	1,9	2,8	1	0,5
	Average price (EUR/tonne)	3 790	2 382	3 737	4 664
	Index	*100*	*63*	*99*	*123*
Total of all third countries except the PRC	Volume (in tonnes)	11 379	22 860	21 025	19 176
	Index	*100*	*201*	*185*	*169*
	Market share (%)	5,6	12,7	11,1	10,5
	Average price (EUR/tonne)	2 781	2 155	2 330	2 223
	Index	*100*	*77*	*84*	*80*

Source: Eurostat (tonnes and EUR/tonne).

(359) Imports from other third countries increased over the period considered by 69 %. In the investigation period, they reached a market share of 10,5 %.

(360) Apart from China, the two main exporting countries to the Union were the Republic of Korea and the US. By far, the main import source was the Republic of Korea, which remained an injurious source of imports in light of the findings of continuous dumping and undercutting by Korean imports reached in the R768 expiry review ([123]) in 2023.

(361) Imports from origins other than Korea arrived into the Union at prices higher than sales prices of Union producers to unrelated customers in the Union.

(362) The Commission therefore concluded that, other than Korean imports, imports from other countries had no material effect on the injury suffered by the Union producers. As to Korean imports, with similar volumes of imports in the investigation period as imports from China at much higher prices than Chinese prices but below Union industry prices, these were found to have contributed to the established injury of the Union industry, but did not attenuate the causal link between dumped Chinese imports and the subsequent injury suffered by the Union industry in the Union market.

5.2.2. *Evolution of Union consumption*

(363) Union consumption fell significantly, by 10 %, over the period considered. However, the Union industry would have not lost more than 39 000 tonnes of sales representing 10,6 % market share in the Union market or been forced to sacrifice profitability on its remaining sales, should Chinese low-priced imports not have soared. In addition, the drop in consumption as compared to 2022 was strongly affected by the exceptional demand for the product under investigation in 2022. It is noted that, on average, historically the Union consumption has not dropped. In the investigation period, Union consumption was at a similar level as in 2018 ([124]).

(364) On that basis, the Commission concluded that the drop in consumption over the period considered was not found to attenuate the genuine and substantial link between the material injury suffered by the Union industry in the Union market and low-priced subsidised Chinese imports.

5.2.3. *Export performance of the Union industry*

(365) The Commission assessed the export volume based on the information submitted by the complainants. Export prices were determined based on the questionnaire replies of the sampled Union producers.

(366) The volume and prices of exports of the Union industry developed over the period considered as follows:

Table 12

Export performance of the Union industry

	2022	2023	2024	IP
Export volume (tonne)	149 564	128 693	129 813	118 418
Index	*100*	*86*	*87*	*79*
Average price (EUR/tonne)	2 272	1 948	1 791	1 582
Index	*100*	*86*	*79*	*70*

Source: verified macro questionnaire reply (tonnes), verified questionnaire replies of sampled Union producers (EUR/tonne).

([123]) See Implementing Regulation (EU) 2023/1330.
([124]) Table 1 of Implementing Regulation (EU) 2023/1330.

(367) In the period considered, in line with the Union industry's sales in the Union, the Union industry's export volumes fell by 21 %. The export sales of the Union industry were important as they accounted for 44 % of the total Union industry sales in the investigation period.

(368) Whereas Union industry prices in the Union dropped by 19 %, prices on the export markets dropped even more, by 30 %. Indeed, also on the export markets, the Union industry was confronted with price pressure caused by fierce competition from other actors. In this regard, the investigation has shown that the export destinations of the Union industry have changed during the period considered and that export sales overall concern a different (cheaper) product mix than products sold in the Union.

(369) Nevertheless, in view of their significant volumes, the export performance of the Union industry was a means to enhance capacity utilisation. Therefore, the Commission concluded that its export performance may have contributed to the injury but that the drop in export sales could not attenuate the causal link between the injury suffered by the Union industry in the Union market and the influx of low-priced subsidised Chinese imports.

5.3. **Conclusion on causation**

(370) In light of the above considerations, the Commission established a causal link between the injury suffered by the Union industry and the subsidised imports from China, which was not attenuated by the factors mentioned above, either considered individually or collectively. Other factors, in particular Korean imports and a drop in export sales had a negative effect on the overall Union's industry performance and thus may have contributed to the injury, but these factors did not, neither individually nor collectively, attenuate the genuine and substantial link established between the material injury suffered by the Union industry in the Union and the subsidised Chinese imports.

6. **UNION INTEREST**

(371) The Commission examined whether, despite the determination of injurious subsidy, the imposition of measures would not be against the Union interest in accordance with Article 31 of the basic Regulation. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, unrelated importers and users.

6.1. **Interest of the Union industry**

(372) Union producers are all ETPA members. They supported the complaint and cooperated with the investigation.

(373) The imposition of the measures could safeguard employment, promote larger investments and improve the Union industry's profitability to levels considered normal for this capital-intensive industry. In the absence of measures, the future viability of the Union industry could be compromised.

(374) The imposition of the measures would help restore a level playing field in the Union and sends a signal that free trade must happen under competitive and fair conditions.

(375) The Commission therefore concluded that the imposition of the measures is in the interest of the Union industry.

6.2. **Interest of unrelated importers**

(376) No importer came forward nor cooperated with the investigation.

(377) In light of the market share of the different supply sources, the likelihood that importers rely on several sources of supply and the level of the measures, it is considered that the imposition of duties will not have a negative effect on importers to the extent that it outweighs the positive effects of measures on the Union industry.

6.3. **Interest of users**

(378) No user came forward or cooperated with the investigation.

(379) In light of the market share of the different supply sources, the likelihood that users rely on several sources of supply and the level of the measures, it is considered that the imposition of duties will not have a negative effect on users to the extent that it outweighs the positive effects of measures on the Union industry.

6.4. **Conclusion on the Union interest**

(380) On the basis of the above, the Commission concluded that there were no compelling reasons of the Union interest against the imposition of countervailing measures on imports of lightweight thermal paper originating in the PRC.

7. **PROVISIONAL COUNTERVAILING MEASURES**

(381) In view of the conclusions reached with regard to subsidisation, injury, causation and Union interest, provisional countervailing duties should be imposed to remove the material injury caused to the Union industry by the subsidised imports of the product concerned from the PRC.

7.1. **Level of the provisional countervailing measures**

(382) Article 15(1), third subparagraph of the basic Regulation states that the amount of the countervailing duty shall not exceed the amount of countervailable subsidies established.

(383) Article 15(1), fourth subparagraph then states that '*Where the Commission, on the basis of the information submitted, can clearly conclude that it is not in the Union's interest to determine the amount of measures in accordance with the third subparagraph, the amount of the countervailing duty shall be less if such lesser duty would be adequate to remove the injury to the Union industry*.'

(384) No such information has been submitted to the Commission, and therefore the level of the countervailing measures will be set with reference to Article 15(1), third subparagraph.

(385) Given that the provisional measures in this case will be based on the amount of countervailable subsidies established, the injury margin was not established.

(386) On the basis of the above, the provisional countervailing duty rates, expressed on the CIF Union border price, customs duty unpaid, are as follows:

Company ([125])	Provisional countervailing duty
Guandong Guanhao High-Tech Co.	28,8 %
All other imports originating in the People's Republic of China	70,5 %

([125]) The individual examination considered Guanhao Group. However, in a Group there was only one producer of LWTP. Therefore, the measures are to be imposed on individual company even though subsidy margin includes also certain subsidies received by related companies in the group (mother companies, related suppliers, traders, financing companies, etc.).

(387) As sampling in this case was abandoned given the lack of cooperation from the initially sampled companies and the very high level of non-cooperation, no average duty for cooperating non-sampled companies could be calculated (see recital (298) above).

(388) The individual company countervailing duty rate specified in this regulation was established on basis of the findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to this company. This duty rate is exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entity. 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 People's Republic of China'.

(389) A company may request the application of these individual duty rates if it changes subsequently the name of its entity. The request must be addressed to the Commission. The request must contain all the relevant information enabling to demonstrate that the change does not affect the right of the company to benefit from the duty rate, which applies to it. If the change of name of the company does not affect its right to benefit from the duty rate, which applies to it, a regulation informing about the change of name will be published in the *Official Journal of the European Union*.

8. **REGISTRATION**

(390) As mentioned in Section 1.2, the Commission made imports of LWTP subject to registration. The registration took place with a view to possibly collecting duties retroactively under Article 16(4) of the basic Regulation.

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

(392) No decision on a possible retroactive application of countervailing measures has been taken at this stage of the proceeding.

9. **DISCLOSURE**

(393) Interested parties were informed of the essential facts and considerations on the basis of which it was intended to recommend the imposition of a provisional countervailing duty on imports of the product concerned originating in the People's Republic of China. Interested parties were given the opportunity to provide comments on the accuracy of the calculations specifically disclosed to them.

(394) No comments on the accuracy of the calculations were received.

10. **FINAL PROVISIONS**

(395) 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.

(396) 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 countervailing duty is imposed on imports of lightweight thermal paper, defined as thermal paper having a basis weight of 65 g/m² or less, which is sold on rolls of a width of 20 cm or more, weighing 50 kg or more (including paper) and with a diameter of 40 cm or more ('jumbo rolls'); with or without base coat on one or both sides; with a physical or chemical thermo-sensitive layer (i.e. a layer that reveals an image when heat is applied) on one or both sides; and with or without top coat, currently classified under CN codes ex 4809 90 00, ex 4811 90 00, ex 4816 90 00 and ex 4823 90 85 (TARIC codes 4809 90 00 10, 4811 90 00 10, 4816 90 00 10 and 4823 90 85 20), and originating in the People's Republic of China.

2. The provisional countervailing duty applicable for 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:

Company	Countervailing duty (%)	TARIC additional code
Guandong Guanhao High-Tech Co.	28,8	88FO
All other imports originating in the People's Republic of China	70,5	8999

3. The application of the individual countervailing 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 name and function, drafted as follows: *'I, the undersigned, certify that the (volume in tonnes) of (product concerned) sold for export to the European Union covered by this invoice was manufactured by Guandong Guanhao High-Tech Co, TARIC additional code 88FO, in the People's Republic of China]. 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 relevant 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) 2026/313.

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 the Member States.

Done at Brussels, 5 August 2026.

For the Commission
The President
Ursula VON DER LEYEN