Appendix G:

Subsidies provided by GOC to the Chinese GFR sector

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1. Introduction

1. This Appendix provides a response to Section G of the questionnaire. It demonstrates that the Chinese GFR industry has been receiving ample subsidies that have allowed exporting producers to trade unfairly, and this requires the UK to maintain the AS measures on imports of GFR from China.

2. The European Commission Staff Working Document on significant distortions in the economy of the People's Republic of China for the purpose of trade defence investigations ("China Report") found that *"the overall picture that emerges concerning the framework in which economic activities take place in China is one where the State continues to exert a decisive influence on the allocation of resources and on their prices"*.[1] The pricing and allocation of factors of production, such as land, energy, capital and material inputs are *"influenced by the State in a very significant manner"*.[2] These findings clearly apply to the Chinese GFR industry.

3. As an encouraged, new materials industry[3], the Chinese GFR industry has continued to benefit from subsidies within the meaning of Regulation 20 of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (D&S Regs) from the Government of China (GOC) during the period under consideration. These subsidies have taken the form of *inter alia* preferential loans, tax exemptions and rebates and provision of goods and services for less than adequate remuneration.

4. For instance, in its 2020 Annual Report, Sinoma (until then, the holding company of Taishan[4]) reported direct government subsidies of approximately ¥167 million for 2020. These subsidies represent 0.89% of Sinoma's revenue of ¥18,711 million and 8.46% of Sinoma's net profit of ¥1,969 million during the same period.[5] Similarly, in 2020, Jushi reported government subsidies amounting to approximately ¥185 million (or 1.59% of Jushi's revenue of ¥11,666 million and 9.53% of Jushi's net profit of ¥1,942 million).[6] Further, in 2020, Jiangsu Changhai Composite Materials Co., Ltd. ("Changhai") reported government subsidies of approximately ¥7 million (or 0.81% of the company's revenue of ¥906 million and 6.33% of the company's net profit of ¥116 million), respectively.[7]

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1 See **Appendix G.1**, Significant distortions in the Chinese economy, page 3.

2 See **Appendix G.1**, Significant distortions in the Chinese economy, page 3.

3 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 49 to 60.

4 In January 2021, the ultimate parent company of Jushi, the China National Materials Group ("CNBM") acquired Taishan and incorporated its GFR business under Jushi, making it the largest GFR producer globally. NEG UK includes references in this Appendix to the subsidies granted to both Jushi and Sinoma since they were granted in 2020, i.e., before the incorporation of Taishan GFR business into Jushi.

5 See **Appendix G.2**, Sinoma 2020 Annual Report, pages 88, 96 and 99.

6 See **Appendix G.3**, Jushi 2020 Annual Report, pages 6, 145 and 146.

7 See **Appendix G.4**, Changhai 2020 Annual Report, pages 8 and 9.

2. Legal framework

5. As a high and new technology[8] new materials industry, several national and regional, general and sector specific plans encourage government authorities at all levels and State-owned financial institutions to foster the GFR industry.

6. As with the **13th 5-Year Plan, the 14th 5-Year Plan** continues to treat the GFR industry as an encouraged industry and aims at strengthening research and development and enhancing the innovation capability of the manufacturing industry.[9]

7. The **Made in China 2025 Initiative** makes encouraged new material industries, including the GFR industry, eligible to benefit from considerable State funding.[10] In November 2016, the China Development Bank announced it will provide at least $44.8 billion (¥300 billion) in total financing to support the implementation of the Made in China 2025 programme during the period of the 13th 5-Year Plan. In the framework of the Made in China 2025, the GOC also created a $20 billion (¥139 billion) National Integrated Circuit Fund, a $3 billion (¥20 billion) Advanced Manufacturing Fund, and a $6 billion (¥40 billion) Emerging Industries Investment Fund. Equally local governments provide strong financial support to the encouraged industries.[11]

8. The Made in China 2025 Initiative also creates support programs specifically for innovative State-owned enterprises. For instance, the **China Reform Holdings** is a central government-owned asset investment vehicle that set up a €13.7 billion fund to support State-owned enterprises active in advanced manufacturing sectors, including the new materials sector.[12]

9. The largest Chinese GFR producers, including CPIC, Jushi, Taishan and their ultimate parent company, CNBM, are major State-owned enterprises.[13] The support and connection of in particular Jushi and Taishan with Chinese public bodies is particularly evident.

10. Mr Zhang Yuqiang, the Chairman of the Board of Directors of Jushi, occupies high posts in the hierarchy of the main Chinese glass fibre associations. He is the vice chairman of the China Building Materials Federation, the China Composites Industry Association and the Chinese Fiberglass Industry Association). Mr Zhang Yuqian also enjoys a special government allowance from the State Council.[14] Mr Song Zhiping, the executive director and chairman of the board of CNBM, is also an executive vice chairman of the China Building Materials Federation.[15]

11. The China Building Materials Federation is approved by the Chinese Ministry of Civil Affairs and operates under the guidance and supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The main tasks of the association include:

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8 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2104 L367/22, recitals 67 to 82.

9 See **Appendix G.5**, 13th Five-Year Plan, pages 23 and 24 and 14th Five-year Plan, pages 16 and 17. See also **Appendix G.1**, Significant distortions in the Chinese economy, pages 56 to 58.

10 See **Appendix G.6**, Made in China 2025. See also **Appendix G.1,** Significant distortions in the Chinese economy, pages 50 to 52.

11 See **Appendix G.1**, Significant distortions in the Chinese economy, pages 133 and 134.

12 See **Appendix G.6**, China Manufacturing 2025, page 17. See also **Appendix G.6**, Made in China 2025, pages 43 *et seq*.

13 See **Appendix G.7**, Chinese GFR State-owned producers.

14 See **Appendix G.3,** Hengshi's re-appointments of non-executive and executive directors, page 2.

15 See **Appendix G.3**, CNBM 2017 Annual Report, page 104.

(i) to act as a bridge between the government and enterprises; (ii) to assist the government to formulate industry development plans and various industrial policies; (iii) to report to the government on the development process and demands of the industry; (iv) to collect and organize domestic and international industry trends, (v) to analyse and report on the economic operation of the industry; (vi) to lead the industry to achieve healthy and orderly development; and (vii) to serve member enterprises and assist in product structure adjustment and transformation. In addition to being directly linked to the Chinese government, the trade association is also interconnected with other industry associations. For example, the China Building Materials Federation entrusts the China Composites Industry Association to conduct of party building management.[16]

12. The close ties make it particularly easy for Chinese (State-owned) GFR producers to receive ample funding from various government organisations at different levels as well as from national financial institutions.

13. The **13th 5-Year Plan Building Material Industry Development plan** calls for optimizing industrial structures by, *inter alia*, expanding emerging industries such as glass-based materials, industrial ceramics, intraocular lens, high-performance fibres and composites, and graphene and modified materials. This is to be achieved through government funding, taxation, financial, pricing, energy, and environmental protection policies, support for capital to participate in the M&A, and restructuring of building materials enterprises through various means including lending.[17]

14. According to the **13th 5-Year Plan for the Construction Materials Industry**[18], high-performance fibres and composite materials are among the key technologies which need to be fostered with priority. To do so, the plan *inter alia* encourages expanding the sectors of advanced composite materials, improving the security of supply of key materials, increasing the level of concentration in the industry and enhancing the international competitiveness. The plan also sets specific development targets for certain non-organic non-metal materials including glass-based materials, and high performance fibres and composite materials. The plan foresees that certain provinces such as Hebei[19] should raise the glass industry level and Shandong[20] should develop (amongst others) glass processing and high-performance fibres and composite materials. Finally, the plan sets out a number of industry support measures such as (i) strengthening the connections between the industry policy and the fiscal and tax policy, financial policy, price policy, energy policy, environmental policy and other relevant policies, and (ii) supporting all types of mergers and restructurings of construction material enterprises by providing merger/acquisition loans, merger/acquisition securities and direct funding.

15. In 2016, the Chinese Ministry of Industry and Information technology ('MIIT') published the **2016-2020 5-Year Plan for Intelligent Manufacturing**. The plan is an (another) extension of the Made in China 2025 initiative and sets up ten key tasks which aim at shortening the product development cycle, improving production efficiency, product quality, reducing operating cost, resources and energy consumption, and accelerating the development of intelligent

16 See **Appendix G.8**, for the associations' websites in Chinese together with convenience translations.

17 See **Appendix G.9,** 13th Five-Year Plan for the Building Materials Industry. See also **Appendix G.1,** Significant distortions in the Chinese economy, page 42.

18 See also **Appendix G.1,** Significant distortions in the Chinese economy, pages 283 and 286.

19 The following GFR producers are among those located in Hebei: CNBM, Hebei Handan Changfeng Material Plant, Hebei Jinniu Energy Resources Co. Ltd., Shandong Huayao Fiberglass Plant. See **Appendix G.10,** List of known Chinese exporting producers.

20 The following GFR producers are among those located in Shandong: Taishan Fiberglass Ltd.,Shanghai Yaohua E-Fiber Glass Co., Ltd., Shanghai Honghe Material Co., Ltd. and Shaoxing Yifeng Chemical Fiber Co., Ltd. See **Appendix G.10**, List of known Chinese exporting producers.

manufacturing. China selected more than 60 projects in 2016 and 97 projects in 2017 for the program. In 2018, the State Council announced plans to expand its program for smart manufacturing by adding about 100 pilot projects that same year. Taishan was included in the list of the Intelligent Manufacturing Plants by the MIIT in 2017.[21] In 2016, Jushi signed the Intelligent Manufacturing Base project with the Management Committee of Tongxiang Economic Development Zone.[22] According to Jushi's 2020 Annual Report, the group received a financial subsidy of ¥72.7 million through the "New Material Intelligent Manufacturing Award, which represents 0.62% of its turnover and 3.74% of its net profit during the same period.[23]

16. The **China High-Tech Products Catalogue,** issued by the Ministry of Science and Technology, the Ministry of Foreign Trade and the General Administration of Customs, lists 1900 high-tech products in 8 categories which are targeted for preferential export policies provided by the government. One of the categories is the "new materials" category, which includes GFR.[24] Chinese National High-Tech enterprises are eligible to benefit from numerous advantages, such as (i) an enterprise income tax ('EIT') rate of 15%, instead of the normal rate of 25%; (ii) accelerated depreciation of fixed assets; (iii) deduction of R&D expenses; (iv) priority in obtaining approval for office and industrial land, etc.[25] As High-Tech companies, Chinese GFR producers are entitled to export their goods on a preferential basis.[26]

17. Furthermore, under the **National Outline for Medium and Long-term Science and Technology Development** (2006-2020), the GFR industry has benefitted from preferential treatment such as preferential tax policies and preferential credit support and services provided by financial institutions during the period under consideration.[27]

18. The **Law of the PRC on Science and Technology Progress** lists a number of measures for the support of strategic industries, including the GFR industry, through the financial sector. *Inter alia* the State encourages and gives guidance to financial institutions in supporting the development of high and new technology industries by granting loans, instructs the policy oriented financial institutions to give priority to the development of high and new technology industries in offering financial services, provide discount interest and guaranty to the loans received by certain enterprises and provide special aid to projects encouraged by the State.[28].

19. Furthermore, according to the **Law of the PRC on Science and Technology**, the high-tech enterprises established in High-Tech Industry Development Zones can benefit from several preferential policies including (i) an EIT rate of 15%, instead of the normal rate of 25%; (ii) if the output value of export products reaches 70% of the total value for that year, the EIT rate is further reduced to 10%; (iii) newly-established high-tech enterprises are exempt from EIT tax for the first two years from the date production begins; (iv) newly-established high-tech enterprises are exempt from construction tax; (v) for new technology development and

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21 See **Appendix G.2**, Taishan's website.

22 See **Appendix G.3,** China Jushi Signs the Intelligent Manufacturing Base Project and the US Project.

23 See **Appendix G.3,** Jushi 2020 Annual Report, pages 6 and 146.

24 See **Appendix G.11,** Catalogue of Chinese high-tech products for export

25 See **Appendix G.12,** Preferential policies for the National New and High-Tech Enterprises.

26 See **Appendix G.13,** Preferential policies of the National High-Tech Industrial Development Zones, pages 12 to 14.

27 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2104 L367/22, recitals 81-82.

28 See **Appendix G.14**, The Law of the PRC on Scientific and Technological Progress, Article 18 and 34.

production and operation houses, R&D land is tax-free; (vi) equipment used by high-tech enterprises for high-tech production and development is subject to accelerated depreciation; (vii) export products produced by high-tech enterprises are exempt from export tariffs except those restricted by the State or concerning specific products, etc.[29]

20. On the basis of the national general and sector-specific plans, local regional and governments adopt their own preferential policies with regards to taxation, credits, import and export in order to further promote the development of high-tech industrial development in their regions, e.g. by leasing land at LTAR.

21. In 2017, the Tongxiang municipal government issued the **3-Year Plan for the transformation and upgrade of the manufacturing industry in Tongxiang**. Tongxiang is the home of Jushi. The plan implements the development goals set in the Made in China 2025 initiative as well as the "Made in China 2025 and the Zhejiang Action Plan".[30] The 3-Year Plan aims at developing four key industries including new materials. Amongst the development goals set for the new materials industry is the acceleration of the development of the glass fiber fabrics and composite materials. The 3-Year Plan explicitly mentions that starting with *"Jushi Group Co Ltd, we shall strengthen the technological advantage and the leading position in the industry. Through the advantage of the variety and scale of glass fiber fabrics, we shall accelerate to bring glass fiber fabrics and composite companies at the downstream of the industry…"*.[31] In order to achieve the development goals, Tongxiang's municipal government foresees the provision of special fund support, preferential tax policies and government subsidies, as well as the reduction of financial costs.[32]

22. The **Implementation opinions on accelerating the construction of glass fiber export base in Tongxiang city** recognize the importance of the city's glass fiber industry and foresee a number of measures in order to accelerate the construction of the glass fiber export base, including (i) the increase in policy support, including the establishment of special funds for the construction of glass fiber bases and the promotion of the export credit insurance for the exporting enterprises; (ii) implementation of various tax incentives, including export tax rebates and tax refund services; and (iii) increase in financial support.[33]

23. As further discussed in Section 3 below, in 2020, Jushi reported having received a "Technology Aid Award" worth ¥2.2 million, which represents 0.02% of its turnover and 0.11% of its net profit during that period.[34] Furthermore, as one of the GFR producers located in Tongxiang, Jushi has received substantial support through various awards, funds and grants in relation to its exports.[35]

24. According to a report published by Tongxiang Municipal Commercial Affairs Bureau in 2015, the municipal government in Tongxiang had undertaken the following steps in order to enhance the international competitiveness of the glass fiber industry and to accelerate its upgrading:

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29 See **Appendix G.13**, Preferential policies of the National High-Tech Industrial Development Zones, page 1.

30 See **Appendix G.15**, Three-year plan for the transformation and upgrade of the manufacture industry in Tongxiang, page 12.

31 See **Appendix G.15,** Three-year plan for the transformation and upgrade of the manufacture industry in Tongxiang, page 16.

32 See **Appendix G.15,** Three-year plan for the transformation and upgrade of the manufacture industry in Tongxiang, pages 18 *et seq*.

33 See **Appendix G.16**, Implementation opinions on accelerating the construction of glass fiber export base in Tongxiang city, pages 4, 6 and 7.

34 See **Appendix G.3,** Jushi 2020 Annual Report, pages 6 and 145.

35 See **Appendix G.3,** Jushi 2020 Annual Report, pages 145 and 146.

(i) setting up a leading group for the construction of the glass fiber export base, which consists of 15 departments including a Commerce and a Finance Bureau; (ii) issuing the "Implementation opinions on accelerating the construction of the glass fiber export base in Tongxiang city" and "Promoting the Foreign Trade Transformation and Upgrading Support Policy of Tongxiang Fiberglass Export Base", and establishing a special support fund for the glass fiber export base; and (iii) introducing the "12th 5-year development plan for the fiberglass industry" and the "12th 5-year development plan for the fiberglass export base". The report also mentions that under the guidance of the Commerce Bureau, the municipal government managed to establish seven foreign trade public service platforms in the city's glass fiber export base. The glass fiber public technology research and development platform was rated as a "Zhejiang Key Foreign Trade Public Service Platform", and consists of a number of R&D centres that serve the enterprises located in the export base.[36]

25. In addition to the above, the Tongxiang municipal government issued in 2012 the **Implementation rules for industrial economic policies**, which include 24 incentive measures aiming at accelerating the industrial development of Tongxiang.[37]

26. The **Catalogue for the Guidance of Foreign Investment Industries** indicates which sectors are encouraged, restricted and prohibited for foreign enterprises to invest in, but also under which conditions (joint-venture requirements, etc.) investments are allowed. These catalogues are designed to be closely in line with more overarching industrial policy goals.[38] According to the Catalogue, "glass fiber products and special glass fiber production" is an encouraged foreign investment industry.[39] Several of the Chinese GFR producers, e.g. CPIC[40], are Foreign Invested Enterprises ("FIEs"), a status that entitles them to a host of tax and other subsidy benefits reserved for Chinese companies with foreign backers[41].

27. Finally, the Chinese GFR industry has benefitted from support for the development and modernisation of the new materials industry under **Decision No. 40** of the State Council on Promulgating and Implementing the 'Temporary Provisions on Promoting Industrial Structure Adjustment' (Decision No 40) of the State Council.[42] The European Commission confirmed that although the aforementioned document does not explicitly refer to the GFR industry or more generally to the new materials industry, it nevertheless instructs all financial institutions to provide credit support to encouraged industries.

28. In addition to serving as a blueprint for State-owned banks to provide financial support for Chinese producers of the product concerned, the above-referenced laws highlight the strategic vision of the GOC for the GFR industry.

29. Through these subsidisation programs, the GOC has built national and provincial champions specially equipped to compete internationally as confirmed in the initial investigation of GFR

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[36] See **Appendix G.17**, Tongxiang's "three steps" promote the innovation and development of the glass fiber export base, pages 3 and 4.

[37] See **Appendix G.18,** Tonxiang industrial economic policies, pages 2 *et seq.*

[38] See **Appendix G.1**, Significant distortions in the Chinese economy, page 17.

[39] See **Appendix G.19,** Main policies in the fiberglass industry.

[40] See **Appendix G.7**, CPIC is also state owned.

[41] See **Appendix G.1**, Significant distortions in the Chinese economy, pages 393 and 394.

[42] See EU Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2104 L367/22, recitals 77-80. See also **Appendix G.1,** Significant distortions in the Chinese economy, pages 70-72.

imports from China. Many of the Chinese producers of the product concerned, among them the largest Chinese exporting producer Jushi[43], continue receiving the status of "new and high technology enterprises", which carries with it significant government benefits and support as shown above. Also, they still appear to benefit from the support provided to "key", "well-known", "excellent domestic", or "famous" brands or enterprises.[44]

30. In addition to the implementation of its plans on both a national and a regional/provincial level through government agencies, the GOC implements its policies through state-owned enterprises ("SOEs").[45]

31. In sum, during the IP, the Chinese GFR industry continued to receive (direct and indirect) contributions from national, regional and local governments in the form of:

– Direct transfers of funds (within the meaning of Regulation 20(1)(a) of the D&S Regs);

– Government revenue foregone or not collected (within the meaning of Regulation 20(1)(b) of the D&S Regs); and

– The provision of goods and services at less than adequate remuneration ("LTAR") (within the meaning of Regulation 20(1)(c) of the D&S Regs);

32. These contributions were provided to individual GFR producers because the GFR industry is an encouraged new material industry. They are therefore specifically within the meaning of Regulation 22 of the D&S Regs. Furthermore, the contributions conferred a benefit within the meaning of Regulation 21of the D&S Regs upon the receiving companies, as they were provided below market value and without adequate remuneration, respectively. The subsidies provided during the period under consideration were not *de minimis*.

33. For instance, Sinoma, Jushi and Changhai received subsidies from the Chinese government amounting to 10.90%, 11.69% and 10.50% of their revenue and 103.54%, 70.22% and 82.01% of their net profits in 2020.[46]

34. The substantial government-directed subsidisation allows Chinese companies to continue producing GFR in much larger quantities and to sell it, including for export, at prices far below those at which they would be selling absent significant government support.

3. Direct transfer of funds

35. During the period under consideration, the GOC provided specific subsidies to the Chinese GFR producers in the form of direct transfer of funds within the meaning of Regulation 20(1)(a) of the D&S Regs, including:

– Preferential loans by State-owned banks;

– Export credit subsidy programmes;

43 See **Appendix G.3**, Jushi's honors and credits.

44 See **Appendix G.1**, Taishan website and **Appendix G.3**, Jushi's honors and credits.

45 See **Appendix G.20,** Decision No. 40 of the State Council on Promulgating and Implementing the 'Temporary Provisions on Promoting Industrial Structure Adjustment', Article 17.

46 Sum of all subsidies discussed in Sections 3, 4 and 5.

– Export guarantees and insurances;

– Opening and provision of credit lines; and

– Various grants programmes.

3.1. Preferential loans by State-owned banks

36. In line with the above-outlined policies and as confirmed in the recent EU investigation concerning *GFR from China*[47], the GOC is subsidising GFR producers through the provision of preferential loans, directed credits[48] and similar financial instruments (e.g. wealth management products) from government policy banks and State-owned commercial banks.

37. Government-directed credit and financing play a major role in enabling Chinese producers to manufacture GFE in huge quantities, and to sell their products at prices far below what they would be selling absent significant government support.

38. For instance, Jushi reported in its Financial Statements bank wealth management products as part of its current assets. In 2020, the latter amounted ¥30 million, which represents 0.26% of its turnover and 1.54% of its net profit during that period.[49] Chinese financial institutions regularly use wealth management products to extend loans and funds to risky borrowers and evade capital requirements.[50]

39. In 2020, Changhai made use of a bank loan of approximately ¥33 million (the initial balance at the beginning of the year was ¥72 million whereas at the end of 2020 it was ¥39 million). That amount represents 3.64% of the company's turnover and 28.45% of its net profit of that year. [51]

40. China Construction Bank and China Merchants Bank are shareholders of Changhai.[52] The former is State-owned and one of the "big four" banks in China and the latter belongs to the China Merchants Group, also a State-owned enterprise.[53]

41. The receipt of preferential lending is acknowledged by Changhai itself. On page 95 of its 2020 Annual Report, Changhai specifies that (1) "*if the lending bank provides loans to the company at a policy-based preferential interest rate, the actual loan amount received is used as the entry value of the loan, and the relevant borrowing costs are calculated based on the loan principal and the policy-based preferential interest rate*" and (2) "*if the finance directly allocates interest discount funds to the company, the corresponding interest discount will be used to offset related borrowing costs*".[54]

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[47] See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 65 et seq.

[48] The opening and provision of credit lines is discussed under Section 3.4.

[49] See **Appendix G.3,** Jushi 2020 Annual Report, pages 6 and 32.

[50] See **Appendix G.21**, China Wealth Management Products. See also **Appendix G.1,** Significant distortions in the Chinese economy, page 136.

[51] See **Appendix G.4,** Changhai 2020 Annual Report, pages 8 and 168.

[52] See **Appendix G.4,** Changhai 2020 Annual Report, pages 47 and 48.

[53] See **Appendix G.4,** Changhai's State-owned banks shareholders.

[54] See **Appendix G.4,** Changhai 2020 Annual Report, page 95.

42. Considering that the GFR industry is a highly encouraged industry, it is reasonable to conclude that Chinese GFR producers have benefitted from preferential loans.

43. The provision of preferential financing is possible because China's banking system is dominated by State policy banks and State-owned commercial banks that act as foreign authorities within the meaning of Regulation 20 of the D&S Regs.[55]

44. Article 34 of the Chinese 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.[56] Furthermore, Article 15 of the General Rules on Loans, which are implemented by the People's Bank of China, provides that *[i]n 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*.[57]

[55] See e.g. European Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 68 to 81. See also 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 225 et seq, 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 2017 L146/17, recital 129. See also Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China, OJ 2019 L16/5, recitals 216 and 217, 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 2018 L283/1, recital 2018 and Commission Implementing Regulation (EU) 2019/688 of 2 May 2019 imposing a definitive countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2019 L116/39, recitals 101 et seq.

[56] See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 76 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 241. See also 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 2017 L146/17, recital 102.

[57] See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 78 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 242. See also 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

45. In sum, financial institutions in China operate in a general legal environment that directs them to align themselves with the GOC's industrial policy objectives when taking financial decisions.[58]

46. Chinese State-owned banks have made loans based on political directives from the central or provincial governments, in particular the 5-Year Plans, rather than creditworthiness or other market-based factors,[59] with the aims of increasing the competitiveness of Chinese companies vis-à-vis their global competitors, removing infrastructure bottlenecks and facilitating the long-term access to strategically important natural resources, among other goals.[60]

47. Furthermore, Chinese State-owned banks provide loans below market rates in view of the risk profile of Chinese exporters. The latter also receive revolving loans, which allow them to immediately replace the capital repaid on loans at the maturity date by fresh capital from new loans.[61] Furthermore, Chinese State-owned banks do not report as "not normal loans" loans that

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 2017 L146/17, recital 106.

58 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 75 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 239. See also 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 2017 L146/17, recital 101.

59 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 82 et seq 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 183 et seq. See also 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 2017 L146/17, recitals 83 et seq., Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2014 L367/22, recital 108, Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recitals 53 et seq., Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China, OJ 2019 L16/5, recitals 175 et seq.

60 See **Appendix G.22**, China's export credit agencies and development banks, pages 1 to 5.

61 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 251. See also 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 2017 L146/17, recital 123. See also Commission Implementing Regulation (EU) 2018/1690 of 9 November 2018 imposing definitive countervailing duties on imports of certain

should be reported as such to the national central credit register, thereby distorting the picture of the Chinese producers' credit situation in that register.[62] Therefore, even if a financial institution were to apply a market-based risk assessment, it would have done so based on inaccurate information.

48. Preferential loans and directed credit from State-owned banks constitute a financial contribution in the form of a direct transfer of funds by the GOC.[63] Loans provided by government policy banks are direct loans from the government, and thus direct financial contributions, and both the government policy banks and the State-owned commercial banks were acting as public bodies since they are controlled by the government and exercise government authority in such a manner that their actions can be attributed to the State.[64]

49. Preferential loans and directed credit confer a benefit to the recipients that is equal to the difference between what the recipient paid on the loan and the amount that would have been paid on a comparable commercial loan.[65]

50. The GOC directs preferential loans and credits to the GFR industry through the enactment of the above policy measures, in particular the 13th 5-Year Plans and Decision No. 40. Since preferential loans are limited to encouraged enterprises, such as the GFR[66] producers, they are specific under Regulation 22(2)(a)(i) of the D&S Regs. In addition, as explained in China's

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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 2018 L283/1, recital 205 and Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China, OJ 2019 L16/5, recital 206.

62 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 252. See also 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 2018 L283/1, recital 206.

63 Regulation 22(1)(a) of the D&S Regs.

64 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 82 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 343.

65 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 86 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 297.

66 See Section 2, which explains that the GFR industry is an encouraged industry.

WTO Accession Protocol, loans from Chinese policy banks are by nature discretionary, and therefore specific.[67]

51. In calculating an appropriate benchmark for a commercial loan on the market, the Trade Remedies Authority (TRA) could use the same methodology as the one applied by the European Commission in *GFF from China*, whereby all GFR producers in China would be attributed a certain bond rating from a market economy credit risk perspective, and apply the appropriate premium expected on bonds issued by companies with that rating compared to the standard lending rate of the People's Bank of China.[68]

52. To identify and measure benefits from any long-term loans expressed in RMB-denominated currency, the TRA could develop a ratio for short-term and long-term lending. This could be done by adding to the applicable short-term rate a spread calculated as the difference between the two-year C bond rate and the n-year C bond rate, where "n" equals or approximates the number of years of the term of the loan in question. The resulting rate should however be adjusted to remove inflation.

53. Foreign currency-denominated short-term loans are also affected by market distortions and the absence of valid credit ratings.[69] The TRA should therefore use rated corporate bonds in relevant denominations issued during the investigation period were to determine an appropriate benchmark.

54. In previous cases, the European Commission found that these loan programs account for significant financial contributions. For example, in *GFR from China* and *GFF from China*, the European Commission found countervailable *ad valorem* subsidies of 2.53 to 7.39%[70], in *CFP imports from China*, 1.26 to 5.37%[71]; in *PV modules and cells from China*, 0.28 to 1.17%[72]; in

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67 See **Appendix G.23**, China's WTO Accession Protocol, Annex 5A, Section IX.

68 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 279 to 285, 310 and 336.

69 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 321.

70 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 87 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 344.

71 See Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recitals 60 to 64.

72 See Commission Implementing Regulation (EU) 2017/366 of 1 March 2017 imposing definitive countervailing duties on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 18(2) of Regulation (EU) 2016/1037 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 19(3) of Regulation (EU) 2016/1037, OJ 2017 L56/1, recital 260.

Hot-rolled flat products from China, 1.99 to 27.91%[73]; and in *E-bikes from China,* 0.23 to 2.77%[74].

3.2. Export credit subsidy programmes

55. Chinese export credit financing and insurance is channelled through three organisations: the China Development Bank, China's Export-Import Bank and China Export & Credit Insurance Corporation (Sinosure). The Export-Import Bank of China provides export-contingent loans at preferential rates to Chinese companies that produce new- and hi-tech products, products with indigenous intellectual rights, self-owned brands, high value-added products and software products that are registered with the authorities for industry and commerce.[75] It is highly likely that Chinese GFR producers qualify for export-oriented loans as makers of new- and hi-tech products and/or as self-owned brands, given that several producers are recognized as "National High-tech Enterprises" or have been awarded famous brand, top brand, etc. status.[76]

56. In 2016, 2017, 2018 and 2019 China's Export-Import Bank, which is wholly owned by the GOC, granted foreign trade loans totalling ¥1,193 billion, ¥1,216 billion, ¥1,349 billion and ¥1,458 billion.[77] These loans were aimed mainly at implementing the goals established in the 13th 5-Year Plans, in particular the implementation of the Belt and Road initiative, in which some of the main Chinese GFR producers such as Jushi and CPIC are involved.[78] In 2019, the Bank's total on- and off-balance sheet assets grew steadily, exceeding ¥4.6 trillion and its outstanding loan balance surpassed ¥3.7 trillion.[79] By the end of 2019, China's Export-Import Bank's outstanding balance of on-lending loans stood at $14,039 billion.[80]

57. For instance, in Guangdong province, where GFR exporting producers such as Guangzhou Zhongxin Centuray Fiberglass, Shenzhen Jintai Fiber Co., Ltd, Shenzhen Sam Soon Leong Industrial Co., Ltd., Zhuhai Gongdong Fiberglass Co., Ltd and Zhuhai Gowin Fiberglass Co., Ltd. are located, the provincial Department of Commerce has adopted the Guangdong Administrative Measures for the Special Fund for Promoting the Use of Export Credit Insurance.[81] Accordingly, the above-listed producers have likely received benefits through this special fund.

58. Similarly, in Tongxiang, where GFR producers such as Jushi are located, the local government has explicitly committed to promote export credit insurance, to provide preferential underwriting

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73 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 2017 L146/17, recital 244.

74 See Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China, OJ 2019 L16/5, recital 346.

75 See **Appendix G.24**, Chinese Export-Import Bank 2019 Annual Report, page 3.

76 See Sections **Error! Reference source not found.** and 4.1.

77 See **Appendix G.24**, Chinese Export-Import Bank 2017 Annual Report, page 4 and Chinese Export-Import Bank 2019 Annual Report, page 8.

78 See **Appendix G.24**, Chinese Export-Import Bank 2017 Annual Report, page 5.

79 See **Appendix G.24**, Chinese Export-Import Bank 2019 Annual Report, page 13.

80 See **Appendix G.24**, Chinese Export-Import Bank 2019 Annual Report, page 48.

81 See **Appendix G.1**, Significant distortions in the Chinese economy, page 457.

conditions for SMEs in the glass fiber export base, and to expand the coverage of the enterprise's export credit insurance.[82]

59. China's Export-Import Bank also assists exporters through export buyers' credits. Export buyers' credits are provided to foreign companies to finance their import of Chinese products, technologies and services.[83]

60. Benefits granted under these export credit programs represent direct transfers of funds, as these banks are wholly State-owned and exercise government authority.[84] Indeed, loans provided by government policy banks should be considered as direct loans from the government and thus direct financial contributions.

61. These policies are administered on preferential, non-commercial terms, which confer a benefit to recipients which is equal to the difference between what the recipient paid on the loan and the amount that would have been paid on a comparable commercial loan.

62. In addition, according to Regulation 21(11)(b) of the D&S Regs, in the absence of an appropriate internal commercial benchmark, reference to an external benchmark is justified.

63. Similarly, pursuant to China's WTO Accession Protocol, it is possible to "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks."[85]

64. The GOC directs export credit financing and insurance to the GFR industry through the enactment of the above policy measures, in particular the 13th and 14th 5-Year Plans and Decision No. 40. Since export credit financing and insurance are limited to encouraged industries, such as the GFR industry,[86] they are specific under Regulation 22(2)(a)(i) of the D&S Regs. The European Commission recently found in *GFR from China* that Chinese GFR producers continue to benefit from preferential export credit insurance.[87]

3.3. **Export guarantees and insurances**

65. Sinosure is a policy-oriented foreign authority within the meaning of Regulation 20 of the D&S Regs and the sole official institution in China that provides export credit insurance.[88]

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82 See **Appendix G.16**, Implementation opinions on accelerating the construction of glass fiber export base in Tongxiang city.

83 See **Appendix G.24**, Chinese Export-Import Bank 2017 Annual Report, page 33.

84 Regulation 20(1)(a) of the D&S Regs.

85 See **Appendix G.23**, China's WTO Accession Protocol, Section 15(b).

86 See Section 2, which explains that the GFR industry is an encouraged industry.

87 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 102 to 117.

88 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 106 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic

66. Sinosure is owned 100% by the Chinese State Council.[89] It is mandated, in accordance with the GOC diplomatic, international trade, industrial, fiscal and financial policies, to promote Chinese exports and investments, especially exports of high-tech or high-value-added capital goods, by offering export credit insurance against non-payment risks.[90]

67. Sinosure's Articles of Association make clear that Sinosure is vested with authority to exercise governmental functions and the GOC exercises full ownership and financial control over Sinosure.[91] Its registered capital of ¥4 billion comes from the venture fund of export credit insurance in line with the state finance budget. Moreover, the GOC has the power to appoint and dismiss the Sinosure's senior managers.[92]

68. The legal bases for subsidies provided by Sinosure are the following: the Notice on the Implementation of the Strategy of Promoting Trade through Science and Technology by Utilising Export Credit Insurance (Shang JiFa [2004] No. 368), issued jointly by MOFCOM and Sinosure; the Export Directory of Chinese High and New Technology Products of 2006; the so-called 840 plan included in the Notice by the State Council of 27 May 2009; the so-called 421 plan included in the Notice on the issues to implement special arrangements for financing of insurance on the export of large complete sets of equipment, issued jointly by the Ministry of Commerce and the Ministry of Finance on 22 June 2009; Notice on Cultivation and Development of the State Council on Accelerating Emerging Industries of Strategic Decision (GuoFa [2010] No. 32 of 18

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of China and Egypt, OJ 2020 L 189/1, recital 471. See also Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recitals 130 and 139. See also **Appendix G.1**, Significant distortions in the Chinese economy, page 135.

89 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 106 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 471. See also Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recital 131.

90 See **Appendix G.25**, Sinosure's profile.

91 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 106 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 232. See Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recitals 130 et seq.

92 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 471.

October 2010), issued by the State Council and its Implementing Guidelines (GuoFa [2011] No. 310 of 21 October 2011).[93]

69. Accordingly, Sinosure provides short-, medium- and long-term export credit insurance, investment insurance and bond guarantees, among other services, on a concessional basis to encouraged industries.

70. As of the end of 2019, the cumulative domestic and foreign trade and investment supported by Sinosure exceeded $4.6 trillion and it had also cooperated with more than 200 banks to facilitate export finance, and helped export companies obtain loans of over ¥3.6 trillion.[94]

71. According to a study undertaken by the Organisation for Economic Co-operation and Development (OECD), the Chinese hi-tech industry, of which the GFR industry is part, received 21% of the total export credit insurance provided by Sinosure.[95]

72. 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.[96]

73. Subsidisation by Sinosure takes the form of the provision of export credit insurance at terms more favourable than those available under market conditions and cash rebates of (part of) insurance premiums.[97]

74. By statute, Sinosure is not designed to be profit-making, but has to aim merely at breaking even according to its function as the sole official export credit insurer in the PRC. However, the unlimited availability of insurance cover Sinosure provides to encouraged industries does not reflect the actual risk incurred in insuring the export performance of these companies. Premium rates charged by Sinosure are inadequate to cover long-term operations and Sinosure operates in a situation of long-term losses.[98]

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93 See Commission Implementing Regulation (EU) 2017/366 of 1 March 2017 imposing definitive countervailing duties on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 18(2) of Regulation (EU) 2016/1037 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 19(3) of Regulation (EU) 2016/1037, OJ 2017 L56/1, recital 285.

94 See **Appendix G.25,** Sinosure's profile.

95 See **Appendix G.26,** OECD Study on Chinese export credit policies and programmes, page 7, para 32.

96 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 103. See **Appendix G.25**, Sinosure supporting "Made in China".

97 See Commission Implementing Regulation (EU) 2017/366 of 1 March 2017 imposing definitive countervailing duties on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 18(2) of Regulation (EU) 2016/1037 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 19(3) of Regulation (EU) 2016/1037, OJ 2017 L56/1, recital 288.

98 Commission Implementing Regulation (EU) 2017/1187 of 3 July 2017 imposing a definitive countervailing duty on imports of certain coated fine paper originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2017 L171/134, recitals 142 and 143.

75. Funds disbursed under this program constitute financial contributions because Sinosure is a public body of the GOC.[99]

76. This program confers a benefit to recipients equal to the difference between what a given recipient pays for the insurance and the amount that would have been paid under a comparable commercial insurance plan. Another benefit to recipients is the full amount of any cash rebate of the insurance premium.

77. This subsidy program is specific under Regulation 22 (2) (a) (i) and (ii) of the D&S Regs because it is available only for exports made by companies active in encouraged industries, such as the GFR industry.[100]

78. In *GFF from China*, the European Commission found countervailable *ad valorem* subsidies in relation to export guarantees and insurances of 0.23 to 0.43%[101], in *PV modules and cells from China*, 0.59% to 0.71%.[102] In other recent cases, the European Commission found countervailable *ad valorem* subsidies of 0.17% to 0.50% in *E-bikes from China* and of 0.06% to 0.18% in *Tyres from China*. In view of the high importance of the activities of the Chinese GFR industry for the Made in China 2025 Initiative and the 13th and 14th 5-Year Plans, it is reasonable to estimate that the subsidy amounts granted to GFR producers are at least similar to those found for other encouraged products in previous investigations.

3.4. Opening and provision of credit lines

79. In addition to the low-interest loans and cash grants, the grant of advantages in connection with the opening of large credit lines is another form of preferential financing provided to the Chinese GFR industry.

80. According to Sinoma's 2020 Annual Report, as of 31 December 2020, the Group's uses ultra-short-term financing bills credit line was ¥4.8 million, the short-term financing bills credit line was ¥900 billion and the bank loan credit line was ¥3 trillion.[103]

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99 Regulation 20(1)(a) of the D&S Regs.

100 See Section 2, which explains that the GFR industry is an encouraged industry.

101 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 483.

102 See Commission Implementing Regulation (EU) 2017/366 of 1 March 2017 imposing definitive countervailing duties on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 18(2) of Regulation (EU) 2016/1037 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 19(3) of Regulation (EU) 2016/1037, OJ 2017 L56/1, recital 304.

103 See **Appendix G.2**, Sinoma 2020 Annual Report, page 109.

81. The European Commission's recent findings in *GFR from China*[104] and GFF from China[105] provide clear *prima facie* evidence that the GFR industry as an encouraged Chinese industry benefits from these subsidy schemes.

82. Advantages related to the opening of credit lines by State-owned banks constitute a government contribution under Regulation 20(1)(a) of the D&S.[106] These advantages are also government contributions in the form of the provision of financial services which is referred to in Regulation 20(1)(c) of the D&S.

83. Advantages related to the opening of credit lines confer a benefit, first as the credit lines improve the liquidity of the entities to which they are granted, which in turn improves their competitiveness on the market (even if the Chinese producers, either directly or indirectly via their customers, have not received the actual credit on preferential conditions). In addition, a benefit is conferred equal to the difference between the amount of fees charged for the opening of the credit line (if any) and the normal commercial fees applicable to a company with the same credit rating for the opening of a credit line in the same amount.

84. These preferential credit lines are administered on preferential, non-commercial terms under the 5-Year Plans, Decision No. 40 and local and regional implementing acts, and are limited to encouraged industries, such as the GFR industry.[107] They also appear to be granted on an *ad hoc* basis. Preferential credit lines are therefore specific under Regulation 22(2)(b) of the D&S Regs.

85. Similar to the calculation of the benefit from loans, the TRA should determine the benefit in relation to credit lines by reference to the fees a company with a C credit rating would pay for the opening and maintenance of a credit line in the amount found for each individual exporting producer, and subtract the fees actually paid. With regard to the calculation of the amount of the subsidy conferred by credit lines, the TRA should, due to the market distortions in China, use as benchmark the highest rate the exporting producers obtained on credit lines in a third country.

86. In *GFF from China*, the European Commission found countervailable *ad valorem* subsidies in relation to the provision of credit lines and other types of financing of 6.92 to 10.61%.[108] In view of the similar turnover and importance of the activities developed by GFR producers, it is reasonable to estimate that the subsidy amounts granted to GFR producers are similar to those found for other encouraged products in recent investigations.

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104 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People’s Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 93 to 101.

105 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 345 to 483.

106 See e.g. DS 316 *EC and Certain Member States – Large Civil Aircraft*, paras 7.731-7.738. The full Panel Report is available at the WTO website (www.wto.org).

107 See Section 2, which explains that the GFR industry is an encouraged industry.

108 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 465.

3.5. Various grants programmes

87. As an encouraged industry, Chinese GFR producers regularly receive financial contributions in the form of grants from governmental institutions at several levels, i.e. local, regional and national (see below). The grants are provided according to national, regional or local programs or are approved on an *ad hoc* basis.

88. These grant, award and reward and similar programmes constitute subsidies within the meaning of Regulation 20(1)(a) of the D&S Regs. They confer a benefit in the amount of the financial contribution provided. The grant programmes are provided within the framework of the 5-Year Plans, Decision No. 40 and local and regional implementing acts, and are limited to encouraged industries, such as the GFR industry[109]. In addition, some also appear to be granted on an *ad hoc* basis. These grants are therefore specific under Regulation 22(2)(b) of the D&S Regs.

89. While individual grant programs might be rather small, it is the cumulative amount of support from these programs that provides an unfair competitive advantage to Chinese GFR producers. Also, grants (and other subsidies or financial contributions) are not always clearly indicated in financial statements, sometimes being recorded under the headings "deferred income", "non-operating income" or other imprecise headings.[110]

90. The following subsections contain examples of grants given to the Chinese GFR industry.

a. Technology, innovation and development grants, funds and awards

91. Chinese GFR producers have benefited from various technology grants for technological achievements, such as technology innovation grants, high-tech industrial development grants, technological upgrading and transformation grants, etc.

92. There is a broad legal framework at national, regional and local level under which these types of grants are provided. Non-exhaustive examples of relevant legal provisions are (i) The 13th and 14th 5-Year Industrial Technology Innovation Planning; (ii) Medium to Long-Term Programme on Technological and Scientific Development (2006-2020) promulgated by the State Council in 2006; (iii) Administrative Measures for National Science and Technology Support Plan as revised in 2011; (iv) Administrative measures for National High Technology Research and Development Plan (863 Plan) as revised in 2011; and (v) Notice of establishment of the Guidance Catalogue of high and new technology products.[111]

93. In 2020, Jushi reported having benefitted from the funds and grants listed below:

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[109] See Section 2**,** which explains that the GFR industry is an encouraged industry.

[110] See **Appendix G.27,** According to Articles 7 and 8 of the Accounting Standards for Enterprises No. 16, issued by China's Ministry of Finance, government subsidies related to assets or to future expenses and losses are to be accounted for as "deferred income". See also Commission Implementing Regulation (EU) 2019/688 of 2 May 2019 imposing a definitive countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2019 L116/39, recitals 145 to 149.

[111] 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 2017 L146/17, recital 373. See also **Appendix G.1,** Significant distortions in the Chinese economy, page 43, 457, 458.

- China Jushi New Material Intelligent Manufacturing Award worth ¥72.7 million;
- Machine Substitution Reward worth ¥5 million;
- Project of drawing production line with an annual output of 96,000 tons of alkali-free glass fiber tank kiln worth ¥4.3 million;
- New model application project of glass fiber intelligent manufacturing with an annual output of 360,000 tons worth ¥ 3.8 million;
- Technology Aid Award worth ¥ 3.2 million;
- The first batch of market application subsidies for new materials worth ¥1.8 million;
- Green Manufacturing System Integration Subsidy Project worth ¥688,750;
- New model application project of glass fiber intelligent manufacturing with an annual output of 360,000 tons worth ¥3.4 million;
- China Jushi New Material Intelligent Manufacturing Base worth ¥388,889; and
- High-performance glass fiber advanced manufacturing base project worth ¥89,833.

94. The above listed subsidies amount to approximately ¥94.3 million, or 0.81% of Jushi's 2020 revenue and 4.86% of its net profit for that year.[112]

95. Similarly, in 2020, Changhai received the following technology grants and funds:

- R&D centre grant income worth ¥26,000;
- Appropriation income of 70,000 tons of tank kiln production line 1 worth ¥150,000;
- Appropriation income from 70,000 tons of tank kiln production line 2 worth ¥2.9 million;
- Trinity development strategy for the promotion, transformation and upgrading of industrial enterprises, special funds and equipment purchase subsidy funds worth ¥832,000;
- Appropriation proceeds from chopped mat and thin mat production line 1 worth ¥64,000;
- Automatically improve the income of the appropriation of the renovation project of the fiberglass product production line worth ¥50,000;
- Comprehensive award for technical reform of industrial enterprises worth ¥20,000;
- Local financial subsidies for the promotion of new energy vehicles worth ¥1,000;
- Energy saving and industrial circular economy projects worth ¥45,000;

[112] See **Appendix G.3,** Jushi 2020 Annual Report, pages 6, 145 and 146.

- 2016 Central Government Energy Saving and Emission Reduction Fund Subsidy worth ¥243,000;

- 2017 Provincial Special Fund for Transformation of Scientific and Technological Achievements worth ¥300,000;

- 2018 Provincial Special Fund for Transformation of Scientific and Technological Achievements worth ¥50,000;

- Higher-level special funds worth ¥56,000;

- The 19th Annual Industrial Enterprise Technology Reform Comprehensive Award Supplementary Block Fund worth ¥1.2 million;

- Industrial Economy Awards 2019 worth ¥100,000;

- 2019 Provincial Industrial Enterprise Technology Reform Comprehensive Award Supplementary Block Fund-Changzhou Xinbei District Finance Bureau worth ¥190,000; and

- 2019 Green Finance Award to make up funds-Accounting Center of Binjiang Economic Development Zone, Changzhou, Jiangsu worth ¥5,000.

96. The above listed subsidies amount to approximately ¥6.3 million, or 0.70% of Changhai's 2020 revenue and 5.43% of its net profit for that year.[113]

97. The programmes constitute subsidies within the meaning of Regulation 20(1)(a) of the D&S Regs as moneys disbursed under these programmes are direct transfers of funds[114] that provide benefits equal to the amount of the grants.

98. The grant programmes are provided within the framework of the 5-Year Plans, Decision No. 40 and local and regional implementing acts, and are limited to encouraged industries, such as the GFR industry[115]. In addition, some also appear to be granted on an *ad hoc* basis. These grants, funds and awards are therefore specific under Regulation 22(2)(b) of the D&S Regs.

99. In *Hot rolled steel from China*, the European Commission found countervailable subsidies of 0.01% to 0.94% under these programs.[116]

b. Corporate development grants

100. Within the framework of the 5-Year Plans and Decision No. 40, Chinese producers of GFR receive grants to foster their corporate development.

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113 See **Appendix G.4**, Changhai 2020 Annual Report, pages 8, 157 and 158.

114 Regulation 20(1)(a) of the D&S Regs.

115 See Section 2, which explains that the GFR industry is an encouraged industry.

116 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 2017 L146/17, recital 378.

101. In 2020, Jushi reported having benefitted from the following corporate development grants:

– Government incentive funds worth ¥23,5 million;

– Special fund reward worth ¥12.4 million;

– Social security rebate worth ¥8.8 million;

– Industry optimization support funds worth ¥4 million;

– Comprehensive Utilization Project of Fiberglass Waste worth ¥333,000; and

– Vocational skill subsidy worth ¥1.8 million.

102. The above listed subsidies amount to approximately ¥50.8 million, or 0.44% of Jushi's 2020 revenue and 2.62% of its net profit for that year.[117]

103. Similarly, in 2020, Changhai reported having benefitted from the following corporate development grants:

– Smart workshop appropriation income worth ¥40,000;

– Appropriation proceeds from chopped mat and thin mat production line 2 worth ¥31,000;

– Special foreign trade funds (Su Cai Industry and Trade 2019 No. 86) worth ¥419,000;

– Party organization awards for non-public enterprises above four stars worth ¥3,000;

– Job stabilization subsidy worth ¥141,000;

– 2019 Tax Contribution Enterprise Major Contribution Award-Changzhou National High-tech Industry worth ¥300,000; and

– Development Zone (Xinbei District) Finance Bureau Industrial enterprise structure adjustment awards and supplementary funds worth ¥8,000.

104. The above listed subsidies amount to approximately ¥943,000, or 0.10% of Changhai's 2020 revenue and 0.81% of its net profit for that year.[118]

105. The programmes constitute subsidies within the meaning of Regulation 20(1)(a) of the D&S Regs as moneys disbursed under these programmes are direct transfers of funds[119] that provide benefits equal to the amount of the grants.

106. The grant programmes are provided within the framework of the 5-Year Plans, Decision No. 40 and local and regional implementing acts, and are limited to encouraged industries, such as the GFR industry. In addition, some also appear to be granted on an *ad hoc* basis. These grants are therefore specific under Regulation 22(2)(b) of the D&S Regs.

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117 See **Appendix G.3,** Jushi 2020 Annual Report, pages 6, 145 and 146.

118 See **Appendix G.4,** Changhai 2020 Annual Report, pages 8, 157 and 158.

119 Regulation 20(1)(a) of the D&S Regs.

c. Support funds

107. Within the framework of the 5-Year Plans and Decision No. 40[120], local governments of several Chinese provinces support GFR producers through the provision of funds.

108. In 2020, Sinoma reported having received a fund worth ¥11 million entitled "KWC-106" and a ¥40 million fund under the title "other". The combined value of these funds amounts to ¥51 million, which represents 0.27% of Sinoma's revenue and 2.59% of its net profit for that period.[121]

109. Similarly, also in 2020 Jushi reported two funds under the title "other" worth ¥15 million and ¥3.7 million, respectively, and a further fund called "Epidemic subsidy" amounting to ¥7.4. The combined value of these funds amounts to ¥26 million, which represents 0.22% of Jushi's 2020 revenue and 1.34% of its net profit for that year.[122]

110. The fund programmes constitute subsidies within the meaning of Regulation 20(1)(a) of the D&S Regsas moneys disbursed under these programmes are direct transfers of funds[123] that provide benefits equal to the amount of the grants.

111. The grant programmes are provided within the framework of the 5-Year Plans, Decision No. 40 and local and regional implementing acts, and are limited to encouraged industries, such as the GFR industry[124]. In addition, some also appear to be granted on an *ad hoc* basis. These grants are therefore specific under Regulation 22(2)(b) of the D&S Regs.

4. Government revenue foregone or not collected

112. During the period under consideration, the GOC provided to the Chinese GFF industry subsidies in the form of government revenue forgone or not collected within the meaning of Regulation 20(1)(b) of the D&S, including:

- Enterprise Income Tax ('EIT') privileges for High and New Technology Enterprises;
- Tax offset for R&D;
- Dividend exemption between qualified resident enterprises;
- Land use tax exemptions; and,
- Export tax rebates.

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120 See **Appendix G.1,** Significant distortions in the Chinese economy, pages 16 and 17.

121 See **Appendix G.2,** Sinoma 2020 Annual Report, pages 84, 85, 88 and 96.

122 See **Appendix G.3,** Jushi 2020 Annual Report, pages 6 and 146.

123 Regulation 20(1)(a) of the D&S Regs.

124 See Section 2, which explains that the GFR industry is an encouraged industry.

4.1. Enterprise Income Tax ('EIT') privileges for High and New Technology Enterprises

113. Under this scheme, high and new technology enterprises to which the State needs to give key support are given a reduced enterprise income tax rate of 15% rather than the standard tax rate of 25%.

114. The legal bases of this programme are Article 28 of the EIT law and Article 93 of the Implementation Rules for the Enterprise Income Tax Law of the PRC, 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', G.K.F.H. [2016] No.32, Notification of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation concerning Revising, Printing and Issuing the Guidance for the Recognition Management of High and New Tech Enterprises, GKFH [2016] No. 195 and Guidelines of the Latest Key Priority Developmental Areas in the High Technology Industries (2011), issued by the NDRC (National Development and Reform Commission), the Ministry of Science and Technology, the Ministry of Commerce and the National Intellectual Property Office.[125]

115. The scheme applies to recognised High and New Technology Enterprises that qualify for "key support" from the State. These enterprises must have core independent intellectual property rights and meet a number of requirements: (i) their products are included in the scope of the products in the High-Tech Fields with Key State Support; (ii) the total expenses for R&D account for a certain proportion of total sales income; (iii) income from high and new technology products account for a certain proportion of the total sales income; (iv) the personnel engaged in R&D account for a certain proportion of the total staff; and (v) the enterprises meet additional requirements set out in the 2008 Administrative Measures for High and New Tech Enterprises. Companies benefiting from this scheme must file their Income Tax Return and relevant Annexes. The actual amount of the benefit is included in both the tax return and Annex V.

116. The programme was found countervailable in the initial EU investigations of *GFR from China*[126] and *GFF from China*[127] and Changhai[128], Jushi[129] and Sinoma[130] have benefited from the preferential EIT rate of 15% during the period under consideration.

117. Jushi noted in its 2020 annual report that *"[i]f the future income tax policy would change, the company's tax and fee expenses will be greatly increased"* which *"will adversely affect the company's future profitability"*.[131] Similarly, Changhai stated in its 2020 Report that benefitting from preferential income tax policies and financial subsidies has "*improved the company's*

[125] See Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China, OJ 2019 L16/5, recital 535.

[126] See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 159 *et seq*.

[127] See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 541 *et seq.*

[128] See **Appendix G.4,** Changhai 2020 Annual Report, page 105.

[129] See **Appendix G.3,** Jushi 2020 Annual Report, page 107.

[130] See **Appendix G.2,** Sinoma 2020 Annual Report, pages 38 to 40.

[131] See **Appendix G.3,** Jushi 2020 Annual Report, page 25.

operating performance" and that its performance would be "*severely affected*" should these benefits cease in the future.[132]

118. The scheme constitutes a subsidy within the meaning of Regulation 20(1)(b) of the D&S because there is a financial contribution in the form of forgone government revenue which confers a benefit upon the recipient companies. The benefit for the recipient is equal to the tax saving enjoyed through this programme .

119. This subsidy is specific within the meaning of Regulation 22(2)(a)(i) of the D&S since it is limited to the enterprises receiving the certification of High and New Tech Enterprises – and the GFR industry is a High and New Tech Industry as shown above[133] – and meeting the above conditions. Furthermore, there are no objective criteria established by the legislation or the granting authority on the eligibility of the scheme and this is not automatic pursuant to Regulation 22(3)(b) of the D&S.

120. The benefit is calculated as the difference between the total tax payable according to the normal tax rate (25%) and the total tax payable under the reduced tax rate (15%).

121. In GFR from China, the European Commission found countervailable *ad valorem* subsidies of 0.8-1.3% under this programme.[134] In 2020, Sinoma, Jushi and Changhai received tax benefits of ¥1,871 million, ¥1,167 million and ¥91 million, respectively, which represents 95%, 60% and 78% of the companies' net profit for that period.[135]

4.2. Tax offset for R&D

122. The tax offset for R&D is set out in Article 30(1) of the *EIT Law* in connection with Article 95 of the *Regulations on the Implementation of Enterprise Income Tax Law*[136] of the PRC (EIT Implementing Regulations).[137] Article 95 states that an additional 50% deduction of R&D expenditures mentioned in Article 30(1) are granted for such expenditures for high and new technology products, so that they are subject to an amortization based on 150% of the intangible asset costs.

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132 See **Appendix G.4**, Changhai 2020 Annual Report, page 32.

133 See Section 2.

134 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2104 L367/22, recital 167 and Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recital 170.

135 See **Appendix G.2**, Sinoma 2020 Annual Report, pages 38 to 40, 88 and 96, **Appendix G.3**, Jushi 2020 Annual Report, pages 6 and 107 and **Appendix G.4**, Changhai 2020 Annual Report, pages 8 and 105.

136 See **Appendix G.28**, Enterprise Income Tax Law of the PRC.

137 See also *Administrative Measures for the Determination of High and New Technology Enterprises* (GuoKeFaHuo [2008] No. 172), and Article 93 of the *EIT Implementing Regulation*, along with the Notice of the State Administration of Taxation on the issues concerning *Enterprises Income Tax Payment of High and New Technology Enterprises* (GuoShui Han [2008] No. 985).

123. It was established in *GFR from China*[138] and *GFF from China*[139] that Jushi and other Chinese GFR conglomerates which are formally recognised as High and New Technology Enterprises benefit from this scheme.

124. The scheme is designed to encourage the research and development of enterprises and permits the actual expenses of foreign-invested enterprises on research and development conducted in China that increased by ten percent or more from the previous year, to offset by 150 percent the taxable income of the current year.

125. According to the *Mass Entrepreneurship and Innovation Preferential Subsidies Policy*, tax offsets for R&D are one of 83 subsidies available to important industries.[140]

126. The scheme constitutes a subsidy within the meaning of Regulation 20(1)(b) of the D&S Regs. The subsidy is specific within the meaning of Regulation 22(2)(a)(i) of the D&S Regs as the legislation itself limits the application of this scheme only to certain enterprises formally recognised as High and New Technology enterprises – and the GFR industry is a High and New Tech Industry as shown above[141] – and which incur R&D expenses to develop new technologies, new products and new crafts. In 2020 Sinoma, Jushi and Changhai reported R&D spending of approximately ¥156 million, ¥342 million and ¥38 million, respectively.[142]

127. In *GFF from China*[143], the European Commission found countervailable subsidies of 0.17% to 1.06%.

4.3. Dividend exemption between qualified resident enterprises

128. Chinese resident enterprises that are shareholders in other Chinese resident enterprises receive preferential tax treatment in the form of a tax exemption on income from certain dividends, bonuses and other equity investments for the resident parent enterprises.[144] A company is considered to be resident in China if it is established under Chinese law, or is an enterprise that

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138 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 171 *et seq.*

139 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 557 *et seq.*

140 See **Appendix G.29,** Mass Entrepreneurship and Innovation Preferential Subsidies Policy, subsidies 43 and 44.

141 See Section 2.

142 See **Appendix G.2,** Sinoma 2020 Annual Report, page 95, **Appendix G.3,** Jushi 2020 Annual Report, page 14 and **Appendix G.4**, Changhai 2020 Annual Report, page 148.

143 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 568.

144 See Council Implementing Regulation (EU) No 215/2013 of 11 March 2013 imposing a countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China, OJ 2013 L73/16, recital 285: The legal bases for these subsidies are Article 26 of the Enterprise Income Tax Law of the PRC, Article 83 of the Regulations on the Implementation of EIT Law of the PRC, Decree no. 512 of the State Council, promulgated on 6 December 2007. See also **Appendix G.31,** *People's Republic of China Tax Profile* published by KPMG in July 2018, page 6.

is established under the laws of foreign countries (regions), but its place of effective management is located in China.[145]

129. The programme was found countervailable in *GFR from China*[146]. It confers a subsidy in the form of revenue forgone.[147] The benefit conferred is equal to the amount of tax savings given by the tax exemption on dividends, bonuses and other equity investments for Chinese resident enterprises.

130. The programme is *de jure* specific[148] given that the legislation pursuant to which the granting authority operates limits its access to enterprises resident in China receiving dividend income from other resident enterprises. The programme is also specific given that this programme is reserved exclusively to important industries and projects encouraged by the State, to which the GFR industry belongs, as explained in Section 2. Further, there are no objective criteria to limit eligibility for this programme and no conclusive indications that eligibility is automatic.[149]

131. In *GFR from China*, the European Commission recently that Chinese GFR producers continue to benefit from subsidies granted under this programme.[150]

4.4. Land use tax exemptions

132. Under this scheme, a company using land in cities, county towns and administrative towns, and industrial and mining districts, is exempt from urban land use tax if the land that the company uses falls within the scope of any of the following categories: land reclaimed from the sea, land for the use of government institutions, people's organizations and military units for their own use, land for use by institutions financed by government allocations from the Ministry of Finance, land used by religious temples, public parks and public historical and scenic sites, streets, roads, public squares, lawns and other urban public land.[151]

133. The legal bases for this programme are: (i) the Provisional Regulations of the People's Republic of China on Real Estate Tax (Guo Fa [1986] No. 90) and (ii) the Provisional Regulations of the People's Republic of China on Urban Land Use Tax (State Council Order No. 483).

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145 See **Appendix G.31,** People's Republic of China Tax Profile published by KPMG in July 2018, page 3.

146 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 183 *et seq.*

147 Regulation 20(1)(b) of the D&S Regs.

148 Regulation 22(2)(a)(i) of the D&S Regs.

149 Regulation 22(3)(b) of the D&S Regs.

150 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 183 *et seq.*

151 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 2017 L146/17, recitals 336 et seq.

134. In *GFR from China*[152] and *GFF from China*[153], the European Commission found that Chinese GFR and GFF producers benefitted from this scheme.

135. The tax deduction constitutes a financial contribution in the form of revenue foregone within the meaning of Regulation 20(1)(b) of the D&S Regs, and confers a benefit equal to the tax savings to the companies concerned.

136. This subsidy is specific within the meaning of Regulation 22(2)(b) of the D&S Regs as it appears to be provided on an *ad hoc* basis selectively to encouraged companies, such as the GFR industry, without regard to the legal framework.

137. In *GFF from China*[154], the European Commission found countervailable subsidies of 0.17 %

4.5. Export tax rebates

138. According to a joint notice by the Ministry of Finance and the State Administration of Taxation the amount of export tax rebate rate on the export of glass fiber and products has been 13% since March 2020.[155] As explained in Section 2, Tongxiang city, the hometown of Jushi, uses export tax rebates as a targeted measure to support the acceleration of the construction of the city's glass fiber export base.

139. The scheme constitutes a subsidy within the meaning of Regulation 20(1)(b) of the D&S because there is a financial contribution in the form of forgone government revenue which confers a benefit upon the recipient companies. The benefit for the recipient is equal to the tax saving enjoyed through this programme.

140. In 2020, Jushi reported tax refunds of approximately ¥14 million, or 0.12% of its revenue and 0.72% of its net profit in that period.[156] In 2020, Changhai exports were subject to a tax rebate of 10%[157], and the company reported a tax refund of approximately ¥69,000, which represents 0.01% of its revenue and 0.06 of its net profit for that year.[158]

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152 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 195 *et seq.*

153 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 584 *et seq.*

154 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 591.

155 See **Appendix G.3,** Jushi 2020 Annual Report, page 25.

156 See **Appendix G.3,** Jushi 2020 Annual Report, pages 6 and 145.

157 See **Appendix G.4**, Changhai 2020 Annual Report, page 105.

158 See **Appendix G.4,** Changhai 2020 Annual Report, page 8 and 158.

5. Government Provision of Goods and Services for Less than Adequate Remuneration ("LTAR")

141. During the period under consideration, the GOC provided subsidies to the Chinese GFR industry in the form of the provision of goods and services at less than adequate remuneration within the meaning of Regulation 20(1)(c) of the D&S, particularly in the form of:

– LTAR provision of land; and

– LTAR provision of power and other utilities.

142. The support provided by the GOC is at times directly through preferential terms accorded by government bodies, but also via State-owned and even private enterprises that are carrying out the policy direction of the GOC. Section 3.1 of this Appendix explained that State-owned banks are public bodies. With regard to the State-owned entities producing and/or providing inputs to GFR producers, all indications are that the State-owned enterprises act as public bodies (or are entrusted or directed by the GOC), as further discussed below.[159]

5.1. LTAR provision of land

143. According to Article 2 of the Land Administration Law, all land is government-owned since, according to the Chinese constitution and relevant legal provisions, land belongs collectively to the People of China. No land can be sold but land-use rights may be assigned according to the law. The State authorities can assign such rights through public bidding, quotation or auction. Notice of transferable land is given through land use right (LUR) notices. However, encouraged industries receive land-use rights from national, regional and local governments at LTAR.

144. In *GFR from China*[160] and *GFF from China*[161] the European Commission found that Chinese exporting producers benefitted from these subsidies and receive LTAR provision of land in the range of 1.6 to 2.9%[162] and 3.63 to 4.98%[163] of turnover.

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159 The test for whether or not the conduct of a given entity is that of a public body focuses on an evaluation of the core features of the entity and its relationship to government in the narrow sense. That assessment must focus on evidence relevant to the question of whether the entity is vested with or exercises governmental authority; see WTO Appellate Body Report in DS 379, *United States – Definitive Anti-dumping and Countervailing Duties on Certain Products from China*, para. 345.

160 See Commission Implementing Regulation (EU) 2021/328 of 24 February 2021 imposing a definitive countervailing duty on imports of continuous filament glass fibre products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2021 L65/1, recitals 120 *et seq*.

161 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recitals 486 *et seq*.

162 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2014 L367/22 recital 205.

163 See 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 and amending Commission Implementing Regulation (EU) 2020/492 imposing definitive anti-dumping duties on imports of

145. In 2020, the land-use rights of Jushi and Changhai increased further by approximately ¥12 million and ¥2 million, respectively. This represents 0.10% and 0.22% of the companies' turnover and 0.62% and 1.72% of the companies' net profit for that year.[164]

146. The GOC provision of land to GFR producers at a discounted rate or for free is a financial contribution because the government is providing a good or service for less than adequate remuneration.[165]

147. The land-use policies are administered on a specific basis because local Chinese governments only provide access to discounted land for certain encouraged industries, including the GFR industry.[166]

148. Accordingly, the provision of land-use rights by the GOC is a subsidy within the meaning of Regulation 20(1)(c) of the D&S in the form of the provision of goods which confers a benefit upon the recipient companies.[167]

149. Given the absence of a functioning market for land in China, the TRA should refer to land prices in Taiwan or Thailand as an external benchmark when calculating the subsidy amount.

certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, OJ 2020 L 189/1, recital 519.

164 See **Appendix G.3**, Jushi 2020 Annual Report, pages 6 and 123 and **Appendix G.4**, Changhai 2020 Annual Report, pages 8, 129 and 130.

165 Regulation 20(1)(c) of the D&S.

166 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2014 L367/22 recital 198.

167 See Commission Implementing Regulation (EU) No 1379/2014 of 16 December 2014 imposing a definitive countervailing duty on imports of certain filament glass fibre products originating in the People's Republic of China and amending Council Implementing Regulation (EU) No 248/2011 imposing a definitive anti-dumping duty on imports of certain continuous filament glass fibre products originating in the People's Republic of China, OJ 2014 L367/22 recital 197.

5.2. LTAR provision of power and other utilities

150. Many Chinese provinces offer electricity, gas, oxygen, water[168] and other power and utilities sources at subsidised rates or grant substantial rebates to preferred industries[169] in their efforts to promote production.[170]

151. The China Report mentions that in the province of Guangdong, where GFR exporting producers such as Guangzhou Zhongxin Centuray Fiberglass, Shenzhen Jintai Fiber Co., Ltd, Shenzhen Sam Soon Leong Industrial Co., Ltd., Zhuhai Gongdong Fiberglass Co., Ltd and Zhuhai Gowin Fiberglass Co., Ltd. are located[171], the Department of Finance has introduced a decrease in electricity sale prices by ¥0.0233/kWh for large industries as well as in the electricity price for standard industry and commercial enterprises.[172] Furthermore, domestic natural gas prices are regulated by the NDRC and differentiated by province depending on the local situation and policy objectives pursued in the various provinces.[173] Approximately 96% of natural-gas production and sales in China is controlled by three state-owned enterprises.[174] Similarly, water pricing in China does not reflect its real cost.[175] Chinese (regional) governments also provide subsidies in the form of the non-collection of water and sewage fees to Chinese companies.[176]

152. As a highly energy intensive encouraged industry, it is highly likely that the GFR industry also benefits from preferential power and utility rates. Indeed, in 2020, Jushi reported having used subsidies related to waste treatment amounting to ¥332,518, which represents 0.003% of its

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168 See Council Implementing Regulation (EU) No 215/2013 of 11 March 2013 imposing a countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China, OJ 2013 L73/16, recitals 127 to 139. The water supply and market in China is administered by the NDRC, the Ministry of Water Resources and the Ministry of Environment. The water supply market is largely dominated by local state-owned companies. The NDRC formulates the main pricing policy and the local authorities set the local water price after a hearing procedure. The water price is supplemented by a 'sewage treatment' fee also set at municipal level. In *OCS from China*, the Council found that the basic water price, the sewage treatment fee and other possible local surcharges are equally applicable to all users falling in the same categories. However, the Council also found that the Chinese authorities had not collected the fees from sampled exporting producers.

169 See Council Implementing Regulation (EU) No 1239/2013 of 2 December 2013 imposing a definitive countervailing duty on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China, OJ 2013 L325/66, recitals 348 et seq. Commission Implementing Regulation (EU) 2017/366 of 1 March 2017 imposing definitive countervailing duties on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China following an expiry review pursuant to Article 18(2) of Regulation (EU) 2016/1037 of the European Parliament and of the Council and terminating the partial interim review investigation pursuant to Article 19(3) of Regulation (EU) 2016/1037, OJ 2017 L56/1, recital 415. 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 2018 L283/1, recitals 460 *et seq*.

170 See **Appendix G.1,** Significant distortions in the Chinese economy, Chapters 10 and 12.

171 See **Appendix G.10,** List of known exporting producers

172 See **Appendix G.1,** Significant distortions in the Chinese economy, page 230.

173 See **Appendix G.1,** Significant distortions in the Chinese economy, pages 221 and 222.

174 See **Appendix G.1,** Significant distortions in the Chinese economy, footnote 757.

175 See **Appendix G.1,** Significant distortions in the Chinese economy, page 314.

176 See Council Implementing Regulation (EU) No 215/2013 of 11 March 2013 imposing a countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China, OJ 2013 L73/16, recitals 127 to 139.

revenue and 0.02% of its net profit for that period.[177] Changhai received special funds for sewage treatment equipment for ¥15,000, which represents 0.002% of its revenue and 0.01% of its net profit for that period.[178]

153. Indeed, based on findings of previous investigations, both SOE's, which appear to dominate the supply of the various forms of power and other utilities in China, and any private suppliers that may exist, are effectively forced by the GOC through the direct exercise of influence to act as "public bodies" (i.e. are entrusted or directed by the GOC) and carry out the GOC's policy of promoting cheap supplies of energy to domestic GFR producers.[179]

154. The provision of power and other utilities, such as electricity, gas, oxygen and water at discounted prices is a financial contribution in the form of a direct transfer of funds and a provision of goods and services.[180]

155. The non-collection of fees owed is a financial contribution by the Chinese government in the form of revenue forgone and/or in the form of provision of goods.[181]

156. The receipt of discounted power and other utilities is specific under Regulation 22(2)(a)(i) of the D&S Regs, as lower rates or rebates or non-collected fees are limited to enterprises in specific encouraged industries[182], such as the GFR industry[183].

157. The provision of utilities at preferential rates or the granting of rebates confers a benefit to the extent that the utilities are provided at LTAR.[184] For companies located inside special economic

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177 See **Appendix G.3,** Jushi 2020 Annual Report, page 139.

178 See **Appendix G.4,** Changhai 2020 Annual Report, pages 8 and 158.

179 See Council Implementing Regulation (EU) No 215/2013 of 11 March 2013 imposing a countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China, OJ 2013 L73/16, recital 144. See also 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 2018 L283/1, recitals 464 and 465.

180 Regulation 20(1)(c) of the D&S Regs. See also 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 2018 L283/1. recital 469.

181 Regulation 20(1)(b) of the D&S Regs.

182 See Council Implementing Regulation (EU) No 1239/2013 of 2 December 2013 imposing a definitive countervailing duty on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China, OJ 2013 L325/66, recital 351. See also Section 2, above which explains that the GFR industry is an encouraged industry.

183 See Section 2, which explains that the GFR industry is an encouraged industry.

184 See Council Implementing Regulation (EU) No 1239/2013 of 2 December 2013 imposing a definitive countervailing duty on imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China, OJ 2013 L325/66, recital 350. See also 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

development zones (EDZs), an additional benefit is conferred to the extent that companies located inside the EDZs pay less for the power they receive than if they were located outside the EDZs.

158. However, there are no "market prices" for power and other utilities in China to use as a benchmark. For example, with regard to electricity, even though private ownership of power plants is increasing in China, the two transmission companies, State Grid and China Southern Power Grid, are State-owned and the prices for uploading electricity to the power grid, transmitting and selling electricity to end users are generally regulated by the GOC. Indeed, it appears the GOC controls electricity rates in China through the NDRC.[185]

159. Moreover, Chinese import prices cannot be considered an appropriate benchmark for determining the "market price" either because, for example, in the case of electricity, it is uploaded onto the grid for distribution across the grid. In addition, the import price is not a retail price and therefore does not reflect a price that would be available to individual enterprises.

160. In the absence of an appropriate internal commercial benchmark, reference to an external benchmark is justified, in accordance with Regulation 21(11)(b) of the D&S Regs. The use of an external benchmark is also consistent with Section 15(b) of China's WTO Accession Protocol.

161. The benefit conferred by these programmes should be calculated by comparing the price actually paid with world market prices (where it is reasonable to conclude that such a price would be available to users in China). In the absence of adequate world market prices, the TRA should use as benchmarks prices charged in countries in the Asia-Pacific region that operate under market conditions, such as Japan, the Republic of Korea, or Taiwan.

162. The subsidy is specific under Regulation 22(2)(a)(i) of the D&S Regs as it is provided selectively to encouraged industries, such as the GFR industry.[186]

163. To determine the benefit received by GFR producers from the LTAR provision of raw materials, the TRA should in accordance with Regulation 21(11)(b) of the D&S Regs, calculate the difference between the prices paid by Chinese GFR producers for raw materials and the prices paid by customers in third countries. In determining the price paid by Chinese GFR producers, the TRA should take into account not only the invoice price paid, but also any credits or kick-back arrangements whether formally agreed or provided on an *ad hoc* basis.

6. Conclusion on continuation and/or recurrence of subsidisation

164. In sum, as shown above, there is ample evidence that Chinese GFR producers have continued to be heavily subsidised by the GOC during the period under consideration. All indications are that these subsidies will continue. The TRA is therefore requested to extend the AS measures.

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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 2018 L283/1, recital 469.

[185] See Commission Implementing Regulation (EU) 2019/688 of 2 May 2019 imposing a definitive countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China following an expiry review pursuant to Article 18 of the Regulation (EU) 2016/1037 of the European Parliament and of the Council, OJ 2019 L116/39, recitals 91 *et seq*.

[186] See Section 2, which explains that the GFR industry is an encouraged industry.