2025/1139

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# COMMISSION IMPLEMENTING REGULATION (EU) 2025/1139

## of 6 June 2025

## imposing a provisional anti-dumping duty on imports of hardwood plywood from the People's Republic of China

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union ([1]) ('the basic Regulation'), and in particular Article 7 thereof,

After consulting the Member States,

Whereas:

### 1. PROCEDURE

#### 1.1. Initiation

(1) On 11 October 2024, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of hardwood plywood originating in the People's Republic of China ('the country concerned' or 'the PRC') on the basis of Article 5 of the basic Regulation. It published a Notice of Initiation in the *Official Journal of the European Union* ([2]) ('the Notice of Initiation').

(2) The Commission initiated the investigation following a complaint lodged on 27 August 2024 by Greenwood Consortium ('the complainant'). The complaint was made on behalf of the Union industry of hardwood plywood in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

#### 1.2. Registration

(3) The Commission made imports of hardwood plywood subject to registration by Commission Implementing Regulation (EU) 2024/3140 ([3]) ('the registration Regulation').

#### 1.3. Interested parties

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

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

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

([2]) Notice of initiation of an anti-dumping proceeding concerning imports of hardwood plywood originating in the People's Republic of China (OJ C, C/2024/6048, 11.10.2024, ELI: http://data.europa.eu/eli/C/2024/6048/oj).

([3]) Commission Implementing Regulation (EU) 2024/3140 of 17 December 2024 making imports of hardwood plywood originating in the People's Republic of China subject to registration (OJ L, 2024/3140, 18.12.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/3140/oj).

### 1.4. **Comments on initiation**

(6) After initiation, the complainant, individual importers and the Plywood Trade Interest Alliance ([4]) ('PTIA') made several submissions on the evidence in the complaint relating to dumping, injury, causality and the Union interest. The comments are addressed below. The complainant and PTIA made two additional submissions rebutting each other's comments, pursuant to Section 8 of the Notice of Initiation. Section 8 provides that any comment on information submitted by interested parties before the deadline of imposition of provisional measures should be made at the latest on day 75 from the date of publication of the Notice of Initiation, unless otherwise specified. The complainant's submission was timely filed on 20 December 2024, within the relevant deadline. PTIA's rebuttal comments were submitted on 15 January 2025. As these comments were submitted outside the relevant time limits set by the Notice of Initiation, they could not be taken into account.

#### 1.4.1. *Comments on the complaint and the procedure*

(7) PTIA claimed that the complainant indexed and unreasonably treated the already aggregated data for nine companies as confidential which made it impossible to meaningfully understand the substance of the information. In addition, PTIA alleged that the complainant withheld essential data for reason of copyright and that copyright restrictions may not serve as a legitimate ground for withholding non-confidential information from other interested parties.

(8) Regarding the indexation of aggregated data, the Commission found that the different product portfolio of the members of the Greenwood Consortium, the complainant, justified the confidential treatment of the aggregated data. As far as the information withheld due to copyright is concerned, it was found that the general export price level of Chinese hardwood plywood in the period 2010–2024 ([5]) was of a demonstrative nature rather than essential information rendering the analysis of the complaint unduly difficult.

(9) The Commission thus rejected the claims because it found that the version open for inspection by interested parties of the complaint contained sufficient essential evidence and non-confidential summaries of otherwise confidential information to allow interested parties to exercise their right of defence throughout the proceeding and complied with the requirements of Article 19(2) of the basic Regulation.

(10) PTIA claimed that the complainant did not submit information as required by Article 5(2) of the basic Regulation, whereas information submitted on other aspects was incomplete.

(11) The Commission rejected the claim because it found that the complaint included prima facie evidence of dumping, injury and a causal link between the allegedly dumped imports and the alleged injury based on information reasonably available. The Commission considered that the version open for inspection by interested parties of the complaint contained sufficient essential evidence and non-confidential summaries of otherwise confidential information to allow interested parties to exercise their right of defence throughout the proceeding and thus and complied with the requirements of Article 19(2) of the basic Regulation.

(12) PTIA submitted that the complainants, while perhaps satisfying the requirements for representativity of the Union industry under Article 5(4) of the basic Regulation, did not by any means constitute the entire Union industry in the sense of Article 3.

(13) The Commission found that the standing requirement was satisfied because the complaint was supported by EU producers accounting for more than 25 % of the production of the like product in the EU produced by the EU industry, and no EU producer opposed it. For the initiation of the proceedings, beyond proving its standing, the complainant was not required to represent the entire Union industry. The Commission therefore also rejected this claim.

([4]) PTIA is an association of 19 importers.
([5]) Complaint, Open Version, recital 179.

1.4.2. *Comments on dumping calculations*

(14) PTIA submitted that the dumping rates calculated in the complaint were excessively high and unduly inflated due to the product mix considered and a different production process in the PRC, which was not duly reflected in the calculations. PTIA further considered that the glue consumption mentioned in the complaint was incorrect, and that certain material was double counted. It also pointed out inconsistencies between the body of the complaint and the annexes. PTIA further argued that the invoices to evidence the export price were non-representative since they only referred to poplar plywood and not to all types of plywood imported to the Union.

(15) Additionally, PTIA submitted that Türkiye was not an appropriate representative country because of the high inflation of the Turkish lira during the investigation period, especially with regard to establishing the selling, general and administrative costs ('SG & A') and profit. It furthermore argued that the data of the proposed Turkish company used as a benchmark to determine the profit and SG & A were not representative. It also considered that when calculating the labour costs, the complainant should have used the exchange rate of the European Central Bank instead of the exchange rate provided by the Turkish Central Bank, and that to determine the energy prices, the complainant should have used Turkish statistics and not the website www.globalpetrolprices.com.

(16) The complainant argued that the high inflation in Türkiye had no impact on the determination of the benchmarks since the raw material prices were not expressed in Turkish lira but in EUR or US dollars and that the inflation would not impact the SG & A and profit of Turkish companies since the increase in costs would decrease the profit margin which resulted in a more conservative approach. Also, since the SG & A and profit were expressed as a percentage of the costs of goods sold, they would not be impacted by inflation. The complainant furthermore submitted that the benchmarks were reasonable and representative for the sector. With regard to energy prices, the complainant also argued that the energy data taken from the website www.globalpetrolprices.com were based on the official Turkish statistics.

(17) The complainant also defended that there was no double counting in the calculation of the normal value in the complaint and that the calculations were based on the factors of production and the consumption rates applicable in the PRC and were duly adjusted to take into account the production process in the PRC. It also argued that the glue consumption in the complaint was accurately calculated and based on a reasonable, even conservative, approach. With regard to the claim of PTIA that the export price was not representative, it submitted that the invoices for the poplar plywood in the complaint were presented only as an additional element; the export price determination was based on Eurostat and the price index the Europäischer Wirtschaftsdienst GmbH ([6]) (EUWID), a trade new media publisher focussing on, amongst other, wood products.

(18) Both the complainant and PTIA submitted comments on the analysis related to the significant distortions in the plywood sector in the PRC. These comments are addressed in Section 3.2.1.4 below.

(19) The Commission duly considered the claims of PTIA on the evidence related to the dumping calculations in the complaint, as well as the additional elements provided by the complainant. It found that the requirements for the initiation of an investigation were met, i.e. that the accuracy and adequacy of the evidence presented by the complainant and determined it was sufficient to justify the initiation of an investigation.

(20) Furthermore, the Commission considered that this had no impact on the conclusions on the existence of dumping – in this particular case, the *prima facie* evidence related to the normal value calculations of the different product types, factors of production and its respective consumption was deemed sufficient. The Commission further recalled that the dumping margin calculated in the complaint did not necessarily reflect the exact degree of dumping which will be calculated in the investigation on a transaction by transaction and type per type basis. Indeed, the nature of the

([6]) https://www.euwid-wood-products.com/.

analysis was different since it was not performed on a company per company basis, nor per transaction. However, the Commission was satisfied with the level of evidence provided by the complainant on the export price and normal value showing that the dumping margins were significant. Also, the figures on which the normal value was based were supported by sufficient evidence, and all the necessary adjustments to for instance consider a different production process in the PRC were taken into account in the Commission's analysis of dumping. The Commission thus rejected the claims of PTIA on insufficient evidence of dumping in the complaint.

(21) Furthermore, based on the information provided by the complainant and analysed by the Commission, the proposed choice of Türkiye as a representative country to determine the normal value met the requirement of sufficient evidences. In particular, domestic sales by Turkish producers of hardwood plywood appeared to be sufficiently large, and the production process and access to raw materials was similar to the Chinese producers, and the potential differences in the production process were taken into account in the normal value determination. The Commission also considered that the fact that there was high inflation in Türkiye did not impact the benchmarks which were indeed not expressed in Turkish liras, nor the determination of the SG & A and profit based on Turkish companies.

1.4.3. *Comments on injury*

(22) PTIA argued that the complaint does not meet the standard of positive evidence on injury under Article 3(2) of the basic Regulation, claiming that certain injury indicators, such as EU consumption; import prices; EU market share; production capacity and utilisation, domestic sales and turnover; employment; profitability, investments, stocks and production capacity did not support a finding of injury during the investigation period.

(23) The Commission found that the complaint contained sufficient evidence for *a prima facie* finding of material injury necessary for the initiation of an investigation. Both macroeconomic and microeconomic indicators were analysed in Section 6 of the complaint. The Commission recalls that *a prima facie* finding of material injury necessary for the initiation of an investigation requires an examination, inter alia, of the relevant factors as described in the basic Regulation. It is not specifically required by Article 5 of the basic Regulation that all injury factors mentioned in Article 3(5) show deterioration in order for material injury to be sufficiently substantiated for the purpose of the initiation of an investigation. The wording of Article 5(2) of the basic Regulation states that the complaint shall contain the information on changes in the volume of the allegedly dumped imports, the effect of those imports on prices of the like product on the Union market and the consequent impact of the imports on the Union industry, as demonstrated by relevant (not necessarily all) factors. The complaint contained this information, which pointed to the existence of injury. Accordingly, the Commission considered that the complaint contained sufficient evidence of injury and rejected the claim by PTIA.

(24) PTIA submitted that the complainant based its undercutting and underselling calculation on poplar plywood only, noting that the Commission should base its preliminary and final calculations on all products covered by the scope of the investigation.

(25) The Commission notes that, under the 'sufficiency of evidence' standard in Article 5(3) of the basic Regulation, there is no obligation to establish undercutting and underselling for all product types covered by the investigation. Furthermore, in line with the applicable legal rules, the Commission established the undercutting and underselling margins pursuant to the methodology presented below in Sections 4.3.2 and 6.1.

1.5. **Sampling**

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

Sampling of Union producers

(27) In the Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. The Commission selected the sample on the basis of the largest representative volume of production and sales which can reasonably be investigated within the time available. This sample consisted of three Union producers. The sample represented 28 % of the estimated total EU production and 33 % of the estimated total EU sales quantity of hardwood plywood and ensuring a good geographical spread. The Commission invited interested parties to comment on the provisional sample. No comments were received. The sample was representative of the Union industry.

Sampling of unrelated importers

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

(29) Twenty unrelated importers provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of three unrelated importers on the basis of the largest volume of sales of the product concerned in the Union, and their geographic location in the Union. The sample represented 38 % of the estimated total EU sales quantity and ensured a good geographical spread. In accordance with Article 17(2) of the basic Regulation, all known importers concerned were consulted on the selection of the sample. No comments were received.

Sampling of exporting producers

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

(31) One hundred twenty exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of two exporting producers on the basis of the largest representative volume of exports to the Union taking into account the main wood species used in the production of hardwood plywood and exported to the Union (poplar, birch and eucalyptus plywood), which could reasonably be investigated within the time available. Based on the information available at the time, the sample represented 9,5 % of exports to the Union. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned, and the authorities of the country concerned were consulted on the selection of the sample.

(32) By email of 29 November 2024, one of the sampled exporting producers, Xuzhou Shengfeng Wood Co., Ltd, informed the Commission that it withdrew its cooperation. On the same day, the Commission decided to add another exporting producer, Xuzhou Hongxin Wood Co., Ltd, to the sample of exporting producers and it informed interested parties of this change by a Note to the file of 29 November 2024. Based on the information available at that stage, the proposed sample accounted for 9,1 % (compared to originally 9,5 %) of the estimated total export quantity of hardwood plywood from the PRC to the Union in the investigation period.

(33) However, the Commission did not receive a response from Xuzhou Hongxin Wood Co., Ltd by the deadline of 3 January 2025. The remaining sampled company, Pizhou Jianghsan Wood Co., Ltd ('Jiangshan Wood'), represented 5,8 % of exports to the Union. The Commission considered, that, at this advanced stage of the investigation there was insufficient time left to select a new sample of exporting producers and, in addition, given the low quantities of exports to the Union by the remaining exporting producers that provided a sampling reply, any change to the

sample would not result in a more representative sample. Therefore, the Commission decided to abandon sampling and apply Article 18 of the basic Regulation for the determination of dumping. The Commission however accepted the request to calculate an individual dumping margin for Jiangshan Wood ([7]), in accordance with Article 17(3), as the only company that provided a proper and timely questionnaire response that could be verified in accordance with Article 16(1) of the basic Regulation. The Commission informed interested parties of this decision by a Note to the file of 21 January 2025.

(34) PTIA submitted comments on the initial sample. It considered that it was unusual that the Commission selected only two exporting producers, and it argued that the sample of exporting producers usually would consist of (at least) three exporting producers. It further argued that since three companies were selected for the sample of unrelated importers and Union producers, the Commission should add one more company to the sampled exporting producers to capture a higher volume of exports into the Union. It also argued that the Commission should have chosen a larger company, with a larger variety of manufactured and exported products since, according to its knowledge, Xuzhou Shengfeng Wood Co. exported a significant portion of recycled film-faced plywood, which was a low-end product, and which had a specific application in construction.

(35) After the change of the sample following the withdrawal of Xuzhou Shengfeng Wood Co., Ltd, PTIA reiterated that the sample should consist of at least three exporting producers. This would in its view improve the quality and objectiveness of the Commission's assessment of the commercial behaviour of the Chinese industry as a whole, for the entire spectrum of products it produces and exports to the Union. It further argued that the Union producers represented 28 % of estimated total Union production and 33 % of estimated total Union sales quantity of the like product, and the sample of the unrelated importers accounted for 38 % of estimated total sales quantity of the product under investigation in the Union. It considered that the Commission had not provided any reasoning or other compelling reason on why it considered the small sample of exporting producers as reasonable to analyse the exporting producers' behaviour, prices and products produced and exported, based on two out of 120 exporting producers only, accounting for less than 10 % of all exports of the product under investigation.

(36) After the Commission abandoned sampling, PTIA reiterated its arguments. It referred to several other investigations where the Commission chose more than two exporting producers or groups. PTIA argued that since the Commission had a statutory deadline of 14 months to complete the investigation, it still had enough time to include another company in the sample, and that the initial decision to investigate less than 10 % of exports was unusual considering that 120 companies provided a sampling reply.

(37) The Commission duly considered all the comments submitted by PTIA. It recalled that the final decision on the selection of which and how many parties and coverage of types of products remained at the discretion of the Commission, and that based on the circumstances of the case, it did not consider it necessary to change or enlarge the sample. The Commission first recalled that the Chinese hardwood plywood industry was highly fragmented and that it was mostly composed of SMEs. More specifically, out of the 120 companies responding to the sampling form, more than 80 companies each represented less than 1 % of the estimated total volume of exports to the Union. Therefore, the initial sample of almost 10 % of exports was considered representative of the Chinese exports of hardwood plywood to the Union. The Commission also recalled that apart from the volume of exports, it took into account the most representative product mix ensuring that the sample was composed of companies exporting the most represented types hardwood plywood to the Union, being poplar, eucalyptus and birch. Considering this additional criterion, adding a third company to the sample would increase the representativeness of the sample by 3 % at most. Given that the initial sample represented already almost 10 % of exports to the Union and that it covered the most representative types of hardwood plywood, the Commission did not consider it necessary to enlarge the sample, and it considered that the sample was representative of the exports of the Chinese exporting producers to the Union.

([7]) Tron registration number t24.008678.

(38) The Commission also pointed out that two of the three sampled exporting producers did not cooperate, and that the only remaining cooperating exporting producer Jianghsan Wood represented 5,8 % of the total exports to the Union. Therefore, it concluded that, in accordance with Article 17(4) of the basic Regulation, the degree of non-cooperation would likely materially affect the outcome of the investigation, and that, at the same time, there was insufficient time to select a new sample. On this basis, it considered the decision to abandon sampling as justified.

(39) The Commission furthermore recalled that the decision on whether or not there was sufficient time to include another exporting producer in the sample has to be assessed in light of the specific circumstances of each investigation. In this particular case, the Commission acted swiftly by replacing Xuzhou Shengfeng Wood Co., Ltd by Xuzhou Hongxin Wood Co., Ltd when the former decided not to cooperate. However, it only became clear that Xuzhou Hongxin Wood Co., Ltd did not cooperate by the deadline of 3 January 2025, almost three months after the investigation was initiated. Given that any new company to the sample would have to be given another at least 30 days to provide the questionnaire reply, the reply would have come more than two months after the initially provided deadline ([8]). It was thus considered that in view of procedural deadlines, there was not sufficient time to select a new company. The Commission thus rejected the claims.

### 1.6. **Questionnaire replies and verification visits**

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

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

(42) The Commission sent questionnaires to all sampled Union producers, the complainant, the sampled unrelated importers and known users, and the sampled exporting producers. The same questionnaires were made available online ([9]) on the day of initiation.

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

Union producers:

— Garnica Plywood Group S.A., Logroño, Spain ('Garnica'),

— Paged Morąg S.A., Pisz, Poland ('Paged'),

— Panguaneta Spa, Sabbioneta, Italy, ('Panguaneta').

Exporting producer in the People's Republic of China:

— Jiangshan Wood.

### 1.7. **Investigation period and period considered**

(44) The investigation of dumping and injury covered the period from 1 July 2023 to 30 June 2024 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2021 to the end of the investigation period ('the period considered').

([8]) The deadline to provide the questionnaire reply of the initially sampled companies expired on 25 November 2024.
([9]) https://tron.trade.ec.europa.eu/investigations/case-view?caseId=2753.

## 2. PRODUCT UNDER INVESTIGATION, PRODUCT CONCERNED AND LIKE PRODUCT

### 2.1. Product under investigation

(45) The product under investigation is hardwood plywood consisting solely of sheets of wood other than bamboo and okoumé, each ply not exceeding 6 mm thickness, with at least one outer ply of tropical wood or non-coniferous wood, of species specified under subheadings 4412 31, 4412 33 and 4412 34, whether or not coated or surface-covered ('the product under investigation').

(46) Hardwood plywood is a multifunctional end product suitable for many different applications. It is commonly used in the following industries depending on the grade and other quality characteristics: construction, furniture manufacturing, transport, packaging and other, such us advertisement stands, coffins, traffic signs and indicators or toys.

### 2.2. Product concerned

(47) The product concerned is hardwood plywood originating in the People's Republic of China.

### 2.3. Like product

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

— the product concerned when exported to the Union,

— the product under investigation produced and sold on the domestic market of country concerned, and

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

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

### 2.4. Claims regarding product scope

(50) PTIA submitted that the definition of the product scope was overly broad to include birch plywood because it is not produced by the complainants.

(51) The Commission rejected the argument as several complainants, for example Welde A.G. and Garnica, produced birch plywood.

(52) PTIA and China National Forest Products Industry Association ('CNFPIA') argued that coated and uncoated plywood are two separate products and cannot be covered by the same investigation, without however submitting detailed and verifiable information in support of their claims.

(53) Accordingly, the Commission rejected the claim because the basic physical, chemical and technical characteristics of plywood manufactured of hardwood species remain the same or very similar irrespective of coating or the lack of it.

(54) PTIA submitted that the definition of the product scope was inconsistent with the definition of the product scope in the anti-dumping investigation concerning imports of birch plywood from Russia ([10]). In that case, the Commission rejected the claim of a Russian exporting producer to include pine, poplar, okoumé and beech plywood in the product scope, because it determined that pine, poplar, okoumé and beech plywood do not share the same basic physical, technical and chemical characteristics with birch plywood.

([10]) Commission Implementing Regulation (EU) 2021/1930 of 8 November 2021 imposing a definitive anti-dumping duty and definitively collecting the provisional duty imposed on imports of birch plywood originating in Russia (OJ L 394, 9.11.2021, p. 7, ELI: http://data.europa.eu/eli/reg_impl/2021/1930/oj).

(55) The Commission found that the defining factor of the product under investigation in the present investigation was that the face veneer is made of hardwood, as opposed to softwood, other wood products or plastic. Hardwood plywood, as a general category, may be divided into different subcategories (product types) depending on the type of hardwood species, as shown in the investigation concerning imports of birch plywood from Russia ([11]), but that does not mean that all panels with a hardwood plywood face veneer do not form a distinct and broader product category on its own. Additionally, in the anti-dumping investigation concerning imports of birch plywood from Russia, the Commission had found that there was a certain level of substitution between birch plywood and plywood made from other types of wood, such as poplar, pine and okoumé ([12]). Hardwood plywood is, therefore, a broader category of product that can be distinguished from other products (for example, from softwood plywood) by its basic physical, technical and chemical characteristics, which also includes several subcategories (product types). In this regard, the Commission also noted that in the present investigation the product control number ('PCN') takes into consideration the different subcategories of hardwood plywood based on type of hardwood used as the face veneer.

(56) The fact that, in 2019, the EU birch plywood producers, representing a part of the hardwood plywood industry, submitted a complaint regarding dumped imports from Russia injuring them, does not mean that in 2024, the entirety of the EU hardwood plywood industry cannot claim that they are being injured by dumped imports of all types of hardwood, including products made of birch plywood, from China. In light of the above, the Commission, therefore, rejected the claim.

(57) PTIA, Altripan B.V. ('Altripan') and Polywood submitted that the Chinese hardwood plywood industry, on the one hand, and the Union hardwood plywood industry, on the other hand, occupy different market segments and are not in competition.

(58) The Commission found that both industries can and do produce the full range of hardwood plywood products present in the Union market. The purported differences between Chinese and Union industry hardwood plywood are in quality only; their basic physical, technical and chemical characteristics remain the same. The existence of different market segments in which imported products and Union industry produced plywood were present was not demonstrated by interested parties in accordance with the relevant legal standard ([13]). The Commission, therefore, rejected the claim.

### 2.5. **Claims regarding product exclusion**

(59) PTIA, CNFPIA, German Timber Federation (GD Holz), the Belgian Federation of Textile, Wood and Furniture Industry (Fedustria), the European Timber Trade Federation (ETTF), Peri SE, Weltholz ZN, Enno Roggemann, J. u. A. Frischeis Gesellschaft and Questwood sp. z o.o ('Questwood') argued that film-faced plywood should be excluded from the product scope because the Union industry does not produce it and does not have sufficient capacity to produce it. The Union industry produces high-end film-faced plywood only which is not interchangeable with film-faced plywood imported from China.

(60) The Commission found that both the Union industry and Chinese exporting producers offer film-faced plywood of different qualities. The differences in the use of film-faced plywood panels are due to their durability, i.e. the number of times they can be used for construction formwork, rather than any inherent variance in their basic physical, technical and chemical characteristics. Another strongly linked factor to quality is price difference. The lowest quality imported Chinese film-faced plywood is sold at a very low, dumped price. The Commission, however, did not find that the price difference annuls the interchangeability of imported and Union produced hardwood plywood panels. The claim, therefore, was rejected.

([11]) Idem, recital 26.

([12]) Idem.

([13]) See, *ex pluribus*, Judgment of 21 September 2023, China Chamber of Commerce for Import and Export of Machinery and Electronic Products and Others v Commission, C-478/21 P, ECLI:EU:C:2023:685, paragraphs 168, 290; Judgment of 21 September 2023, China Chamber of Commerce for Import and Export of Machinery and Electronic Products and Others v Commission, C-478/21 P, ECLI:EU:C:2023:685, paragraph 167, citing judgment of 20 January 2022, Commission v Hubei Xinyegang Special Tube, C-891/19 P, ECLI:EU:C:2022:38, paragraphs 78 to 81, 110 and 111.

(61) PTIA, CNFPIA and Questwood argued that eucalyptus plywood should be excluded from the product scope because the Union industry has a very limited possibility to produce it.

(62) The Commission found that there is production of eucalyptus plywood in the EU in commercial volumes. Hence, the claim was rejected.

(63) PTIA, GD Holz, ETTF, CNFPIA and Questwood argued that plywood with outer layers of 0,3 mm or less should be excluded from the product scope because Union producers use thicker outer layers.

(64) The Commission found that the thickness of the face veneer is a quality difference impacting the durability and price of plywood panels. Plywood with thin veneers does not constitute a separate product type with differing basic physical, technical and chemical characteristics, nor does it compete in a different market segment than hardwood plywood panels made with thicker face veneers. The Commission, therefore, rejected the claim.

(65) PTIA, GD Holz, ETTF, CNFPIA and Questwood argued that plywood with outer layers of engineered veneers should be excluded from the product scope because it is a special product that none of the complainants produce in meaningful commercial quantities.

(66) The Commission found that the Union industry produced hardwood plywood with engineered face veneers, composed of cut-up and recomposed hardwood plies to form specific patterns, shares basic physical, technical and chemical characteristics and directly competes with similar hardwood plywood panels imported from China. The claim was, therefore, rejected.

(67) CNFPIA and PTIA submitted that air-dried hardwood plywood with moisture content above 12 % should be excluded from the product scope because this high moisture content is the result of air drying that is widespread in China but no one in the Union produces air-dried veneers.

(68) The Commission found that the quantity of moisture is a grading factor during the selection of veneers. High quality veneers contain lower levels of moisture. Low quality veneers have higher levels of moisture. While air drying may lead to higher moisture retention, some veneers that pass through industrial dryers may also retain a significant amount. Moisture content depends on several factors, and it cannot be attributed only to the method of drying. Accordingly, the Commission considered that hardwood plywood produced by the Union industry using industrial veneer dryers and hardwood plywood produced from air-dried veneers in China share basic physical, technical and chemical characteristics, and rejected the claim.

(69) Houtwerf B.V. argued that hardwood plywood made with 100 % biobased glue should be excluded from the product scope because it is a special, environmentally friendly product that is not and cannot be produced in the Union.

(70) The Commission found that several Union producers, such as Garnica or Paged, manufacture hardwood plywood products using bio-based glue. Hence, the claim was rejected.

(71) PTIA, Linyi Donglin Wood Factory Limited and Vöhringer GmbH & Co argued that hardwood plywood of a thickness below 6 mm should be excluded from the product scope because this type of plywood is not produced in Europe and European plywood manufacturers are not interested in producing it.

(72) The Commission found that thin plywood is produced by the Union industry. Namely, Panguaneta, among the sampled Union producers, produces thin poplar plywood. The Commission, therefore, rejected the claim.

(73) Questwood argued that poplar plywood should be excluded from the product scope because poplar plywood produced in China is of a lower quality than European or Turkish products.

(74) The Commission found that the alleged quality difference does not annul the fact that imported and Union produced poplar plywood share basic physical, technical and chemical characteristics. Therefore, the claim was rejected.

(75) PTIA argued that hardwood plywood made of tropical species should be excluded from the product scope as the tropical species do not share the same essential characteristics with other plywood wood species.

(76) The Commission found that tropical wood is mostly classified as hardwood, sharing the same basic physical, technical and chemical characteristics as other species in this wood classification category. The Commission, therefore, rejected the claim.

## 3. DUMPING

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

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

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

(79) In order to obtain information it deemed necessary for its investigation with regard to the alleged significant distortions, the Commission sent a questionnaire to the GOC. In addition, in point 5.3.2 of the Notice of Initiation, the Commission invited all interested parties to make their views known, submit information and provide supporting evidence regarding the application of Article 2(6a) of the basic Regulation within 37 days of the date of publication of the Notice of Initiation in the *Official Journal of the European Union*. No questionnaire reply was received from the GOC. Subsequently, the Commission informed the GOC that it would use facts available within the meaning of Article 18 of the basic Regulation for the determination of the existence of the significant distortions in the PRC.

(80) In point 5.3.2 of the Notice of Initiation, the Commission also specified that, in view of the evidence available, it had provisionally selected Türkiye as an appropriate representative country pursuant to Article 2(6a)(a) of the basic Regulation for the purpose of determining the normal value based on undistorted prices or benchmarks. The Commission further stated that it would examine other possibly appropriate representative countries in accordance with the criteria set out in 2(6a)(a) first indent of the basic Regulation.

(81) On 19 December 2024, the Commission informed, by a note to the file ('the First Note'), interested parties on the relevant sources it intended to use for the determination of the normal value. In that note, the Commission provided a list of all factors of production such as raw materials, labour and energy used in the production of the hardwood plywood. In addition, based on the criteria guiding the choice of undistorted prices or benchmarks, the Commission identified possible representative countries, namely Brazil, Malaysia, Thailand and Türkiye.

(82) On 11 March 2025, the Commission informed by a second note ('the Second Note') interested parties on the relevant sources it intended to use for the determination of the normal value, with Türkiye as the representative country. The comments on the First Note were addressed in the Second Note. The Commission also informed parties of its intention to select as the representative country Türkiye, and that it would establish SG & A and profits based on readily available information of five producers of plywood in Türkiye. The comments on the Second Note and the finally proposed sources of information to determine the normal value are detailed below in Section 3.2.2.

### 3.2. Normal value

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

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

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

3.2.1. *Existence of significant distortions*

3.2.1.1. Introduction

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

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

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

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

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

— wage costs being distorted;

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

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

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

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

(90) Pursuant to this provision, the Commission issued a country report concerning the PRC ([14]) ('Report'), which contains evidence of the existence of substantial government intervention at many levels of the economy, including specific distortions in many key factors of production (such as land, energy, capital, raw materials and labour), as well as selected sectors (such as the wood-based products sector). Interested parties were invited to rebut, comment or supplement the evidence contained in the investigation file at the time of initiation. The Report was placed on the investigation file at initiation.

3.2.1.2. The complainant's position on existence of significant distortions

(91) The complainant argued that prices or costs of the product concerned, including the costs of raw materials, energy and labour, are not the result of free market forces because they are affected by substantial government intervention within the meaning of Article 2(6a)(b) of the basic Regulation and that, as a result, it is not appropriate to use domestic prices and costs to establish normal value.

(92) To support this position, the complainant referred to the evidence contained in the Report, their own research, as well to findings in past Commission and the US authorities' investigations.

(93) In particular, the complainant pointed out the Commission's previous findings on the Chinese economic system being based on the socialist market economy doctrine, on the leading role of the Communist Party's of China ('CCP' or 'Party') and on the interventionist economic policy of the state.

(94) Moreover, pointing out that the hardwood plywood industry is part of the Chinese forestry and wood products sectors, the complainant recalled the following elements pointing to the existence of significant distortions.

(95) First, the hardwood plywood sector is being served to a significant extent by enterprises that operate under the ownership, control or policy supervision or guidance of state authorities:

— As established in the okoumé plywood investigation ([15]), the GOC has a stake exceeding 40 % in Jiangsu High Hope Arser Co., Ltd. ('Arser'), the largest exporter of hardwood plywood to the EU from the PRC ([16]). In that investigation, the Commission also found that State authorities in the PRC exert control and supervision over companies through informal channels, as evidenced by the 'cultivation' of privately owned Luli Group Co., Ltd., by the Shandong government ([17]). Moreover, the CCP has been intervening into the operations and decision-making processes of Chinese companies, including the private ones ([18]).

— This is apparent also at the level of CNFPIA. According to Article 4 of CNFPIA's Articles of Association, the organisation 'accepts the professional guidance, supervision and management of […] the State Forestry and Grassland Administration and the Ministry of Civil Affairs' ([19]).

([14]) Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 10 April 2024 (SWD(2024) 91 final).

([15]) Commission Implementing Regulation (EU) 2023/1159 of 13 June 2023 imposing a definitive anti-dumping duty on imports of okoumé plywood originating in the People's Republic of China following an expiry review (OJ L153, 14.6.2023, p. 3, ELI: http://data.europa.eu/eli/reg_impl/2023/1159/oj), recital 83.

([16]) See Implementing Regulation (EU) 2023/1159, recital 53.

([17]) See Implementing Regulation (EU) 2023/1159, recital 53 (referencing Forestry Department of Hunan Province, *The wood processing industry in Shandong Province develops rapidly*, see at: https://lyj.hunan.gov.cn/tslm_71206/lysc/scxx/201512/t20151227_2693076.html (accessed on 14 January 2025)). The Luli Group is active in a variety of hardwood plywood products, see at: https://luligroup.en.alibaba.com/productgrouplist-212925526/Plywood.html?spm=a2700.shop_index.88.17 (accessed on 14 January 2025).

([18]) See Article 33 of the CCP Constitution, Article 19 of the Chinese Company Law or the Guidelines on stepping up the United Front work in the private sector for the new era, issued by the General Office of the CCP's Central Committee in 2020 (see below).

([19]) Articles of Association of the China Forest Products Industry Association, adopted on 21 April 2009, see at: http://www.cnfpia.org/about-law.html (accessed on 14 January 2025).

(96) Second, the state presence in hardwood plywood companies also allows the authorities to interfere with prices and/or costs:

— Under the PRC's company law, every company must establish a CCP organization if it has at least three CCP members, as outlined in the CCP Constitution and the company shall provide the necessary conditions for the activities of the party organisation ([20]). More recently, the CCP issued the Central Committee's Guidelines on stepping up the United Front ([21]) ('United Front Guidelines') work in the private sector for the new era. The document aims to increase the CCP's role in private companies, encouraging to 'further step up Party building in private enterprises and enable the Party cells to play their role effectively' ([22]). These rules are also applicable to the Chinese hardwood plywood sector. In particular, the investigation in the okoumé plywood case found that top executives of Arser, hold dual roles, with the general manager being the Party branch secretary and the chairman being the Party committee secretary ([23]).

— Investigation by the complainant has confirmed the extent and significance of CCP presence in Chinese hardwood plywood firms, including two major producers, Luli Group Co., Ltd., and Zhejiang Yuhua Wood Industry, which were founded by and have CCP members as key shareholders ([24]).

— The pervasiveness of state presence in the hardwood plywood value chain is further evidence of the GOC's ability to interfere in that industry with respect to prices and costs, not least given its presence and intervention in the Chinese financial markets and in the provision of raw materials.

(97) Third, the GOC pursues public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces:

— In addition to a complex system of industrial planning affecting all economic activities, other relevant public policies including procurement rules are being regularly used in pursuit of policy goals other than economic efficiency.

— Chinese authorities have enacted policies to guide the plywood sector ([25]), including listing wooden panel-related technologies as encouraged industries in the Guiding Catalogue for industry structural adjustment of 2019 ([26]).

— Products and sectors relating to hardwood plywood, such as wood-based panels, wood flooring, and wood furniture, are featured prominently in the PRC's 14th Five-Year-Plan on the Development of the Forest and Grassland Industry (2021-2025) ([27]) ('14th Forest FYP'). Furthermore, as noted in the okoumé plywood case and based on the original Chinese version of the document, the 14th Forest FYP sets specific output targets for these markets: '[b]y 2025 […] the output of man-made panels will be stabilized at about 300 million cubic meters, the output of flooring will be stabilized at about 800 million square meters, and the output value of wooden furniture will exceed RMB 800 billion' ([28]).

([20]) Report, Chapter 3, p. 40.
([21]) General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era, see at: www.gov.cn/zhengce/2020-09/15/content_5543685.htm (accessed on 14 January 2025).
([22]) See also at: https://www.ft.com/content/582411f6-fc3b-4e4d-9916-c30a29ad010e?shareType=nongift (accessed on 14 January 2025).
([23]) See Implementing Regulation (EU)2023/1159, recital 58.
([24]) See at: https://baike.baidu.com/item/%E8%96%9B%E8%8C%82%E6%9E%97/6365322; https://baike.baidu.com/item/%E9%87%91%E6%9C%88%E5%8D%8E/17587851?fr=ge_ala (accessed on 14 January 2025).
([25]) See Implementing Regulation (EU) 2023/1159, Section 3.3.1.5.
([26]) See at: https://www.gov.cn/xinwen/2019-11/06/content_5449193.htm; https://www.gov.cn/xinwen/2019-11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf (accessed on 14 January 2025).
([27]) See at: https://www.gov.cn/zhengce/zhengceku/2022-02/13/5673332/files/97808c86c2454133b6416abe7eae2c55.pdf (accessed on 14 January 2025).
([28]) See Implementing Regulation (EU) 2023/1159, recital 61.

— The Chinese forestry and grass industry is also subject of a 2019 Guiding Opinion by the National Administration for Forestry and Grassland ('NAFG'), which laid down parameters for the sector's planned development: '[b]y 2025, […] the supporting capacity of forest and grass resources will be significantly enhanced, […] and the import and export trade volume of forest products shall reach 240 USD billion' ([29]).

— A 2016 study from the Chinese Academy of Forestry refers to a longstanding 'going overseas' policy, aimed at procuring forest resources from Latin America, Southeast Asia, and Africa to promote the international penetration of the Chinese plywood industry ([30]).

(98) Fourth, much like in other sectors of the Chinese economy, the hardwood plywood sector is subject to the distortions resulting from the discriminatory application or inadequate enforcement of bankruptcy, corporate and property laws:

— The Commission established in the glass fibre fabrics case existence of distortions resulting from discriminatory application of relevant legislation, in particular when it comes to insolvency and land use rights allocation ([31]).

— In the okoumé plywood case, the Commission noted that the shortcomings of the PRC's system of property rights are particularly apparent in the context of both the country's land-ownership and land-use rights ([32]).

— Moreover, since China's forest management is under the jurisdiction of the NAFG, the authority is responsible for developing policies for the allocation of forestry and grassland resources and the utilization of timber and it oversees the approval of all timber processing activities in the country ([33]).

— Finally, a 2016 study from the Chinese Academy of Forestry found that state-owned forests constituted the main origin for the raw materials used by plywood companies ([34]).

(99) Fifth, wage costs are distorted in the hardwood plywood sector as well:

— The Commission found previously that a system of market-based wages cannot fully develop in the PRC as workers and employers are impeded in their rights to collective organisation. Only a single union organisation is active in the PRC, but it lacks independence from the state ([35]).

— In addition, the mobility of the Chinese workforce is restricted by the household registration system. This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower wages than those who are holders of the residence registration ([36]).

([29]) See at: https://www.gov.cn/xinwen/2019-02/19/content_5366730.htm (accessed on 14 January 2025).
([30]) See Chinese Academy of Forestry, Research Institute of Forestry Policy and Information, *Case study in the plywood industry in China*, Biennial Review 2015-2016.
([31]) See Commission Implementing Regulation (EU) 2020/492 of 1 April 2020 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 L 108, 6.4.2020, p. 1, ELI: http://data.europa.eu/eli/reg_impl/2020/492/oj), recitals 139-141.
([32]) See Implementing Regulation (EU) 2023/1159, recital 64.
([33]) See Food and Agriculture Organization of the United Nations, FAOLEX Database *China*, Updated on 22 November 2019, see at: https://www.fao.org/faolex/results/details/en/c/LEX-FAOC191311/ (accessed on 14 January 2025).
([34]) See Chinese Academy of Forestry, Research Institute of Forestry Policy and Information, *Case study in the plywood industry in China*, Biennial Review 2015-2016, p. 46.
([35]) See Implementing Regulation (EU) 2020/492, recital 143.
([36]) See Implementing Regulation (EU) 2020/492, recital 143; Implementing Regulation (EU) 2023/1159, recital 67; Report, p. 337-341.

(100) Sixth, producers in the hardwood plywood sector have access to finance granted by institutions which implement public policy objectives or otherwise are not acting independently from the state:

— Banks remain connected to the state not only through ownership but also by personal relations. Notably, the top executives of large state-owned financial institutions are ultimately appointed by the CCP ([37]).

— The financial institutions in the PRC operate under rules that direct finances into sectors designated by the government as encouraged or otherwise important ([38]). This situation results in a bias in favour of lending to SOEs, large, well-connected private firms and firms in key industrial sectors, which means that the availability and cost of capital is not equal for all players in the market ([39]).

— Moreover, the US authorities concluded that the GOC uses 'loans to encourage and support the growth of favoured industries, including those using timber, which would include the hardwood plywood industry' ([40]).

(101) In conclusion, the complainant argued that there is prima facie evidence of significant distortions pursuant to Article 2(6a) of the basic Regulation are present in the hardwood plywood sector.

3.2.1.3. The Commission's findings

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

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

(104) The Chinese economic system is based on the concept of a 'socialist market economy'. That concept is enshrined in the Chinese Constitution and determines the economic governance of the PRC. The core principle is the 'socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people' ([41]).

(105) The state-owned economy is the 'leading force in the national economy' and the state has the mandate to ensure its 'consolidation and growth' ([42]). Consequently, the overall setup of the Chinese economy not only allows for substantial government interventions into the economy, but such interventions are expressly mandated. The notion of supremacy of public ownership over the private one permeates the entire legal system and is emphasized as a general principle in all central pieces of legislation.

(106) The Chinese property law is a prime example: it refers to the primary stage of socialism and entrusts the state with upholding the basic economic system under which the public ownership plays a dominant role. Other forms of ownership are tolerated, with the law permitting them to develop side by side with the state ownership ([43]).

([37]) Report, Chapter 6, p. 148-149.
([38]) Report, Chapter 5, p. 137-165.
([39]) See Implementing Regulation (EU) 2023/1159, recital 74.
([40]) See US International Trade Administration, Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Certain Hardwood Plywood Products from the People's Republic of China, 17 April 2017.
([41]) Report, Chapter 2, p. 7.
([42]) Ibid., p. 7-8.
([43]) Ibid., p. 10-18.

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

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

(109) Following the already existing first sentence of the provision: '[t]he socialist system is the basic system of the People's Republic of China' a new second sentence was inserted which reads: '[t]he defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China' ([44]). This illustrates the unquestioned and ever-growing control of the CCP over the economic system of the PRC.

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

(111) The Chinese state engages in an interventionist economic policy in pursuance of goals, which coincide with the political agenda set by the CCP rather than reflecting the prevailing economic conditions in a free market ([45]). The interventionist economic tools deployed by the Chinese authorities are manifold, including the system of industrial planning, the financial system, as well as the level of the regulatory environment.

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

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

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

(115) The economic operators, private and state-owned alike, must effectively adjust their business activities according to the realities imposed by the planning system. This is not only because of the binding nature of the plans, but also because the relevant Chinese authorities at all levels of government adhere to the system of plans and use their vested powers accordingly, thereby inducing the economic operators to comply with the priorities set out in the plans ([46]).

(116) Second, on the level of allocation of financial resources, the financial system of the PRC is dominated by the state-owned commercial and policy banks. Those banks, when setting up and implementing their lending policy need to align themselves with the government's industrial policy objectives rather than primarily assessing the economic merits of a given project ([47]).

(117) The same applies to the other components of the Chinese financial system, such as the stock markets, bond markets, private equity markets etc. Also, these parts of the financial sector are institutionally and operationally set up in a manner not geared towards maximizing the efficient functioning of the financial markets but towards ensuring control and allowing intervention by the state and the CCP ([48]).

([44]) See at: http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node_2825.html (accessed on 30 January 2025).
([45]) Report, p. 29-30.
([46]) Ibid., p. 57-92.
([47]) Report, p. 149-150.
([48]) Ibid., p. 153-171.

(118) Third, on the level of regulatory environment, the interventions by the state into the economy take a number of forms. For instance, the public procurement rules are regularly used in pursuit of policy goals other than economic efficiency, thereby undermining market-based principles in the area. The applicable legislation specifically provides that public procurement shall be conducted in order to facilitate the achievement of goals designed by state policies. However, the nature of these goals remains undefined, thereby leaving broad margin of appreciation to the decision-making bodies ([49]).

(119) Similarly, in the area of investment, the GOC maintains significant control and influence over destination and magnitude of both state and private investment. Investment screening as well as various incentives, restrictions, and prohibitions related to investment are used by authorities as an important tool for supporting industrial policy goals, such as maintaining state control over key sectors or bolstering domestic industry ([50]).

(120) In sum, the Chinese economic model is based on certain basic axioms, which provide for and encourage manifold government interventions. Such substantial government interventions are at odds with the free play of market forces, resulting in distorting the effective allocation of resources in line with market principles ([51]).

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

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

(122) While in the hardwood plywood sector, the degree of state ownership does not appear to be significant, the GOC maintains shareholding in a number of economic operators within the sector, such as in Guangxi Forestry Group Co., Ltd., 'a large-scale state-owned enterprise directly under the People's Government of the [Guangxi] Autonomous Region' ([52]); in the trading company SUMEC Group Corporation ('SUMEC') a subsidiary of SINOMACH, 'a state-owned backbone enterprise under the direct control of the central government' ([53]); or in Arser ([54]) which was founded as a trading company but which '[i]n recent years, under the guidance of Jiangsu Provincial State-owned Assets Supervision and Administration Commission […] established its business development strategy of upstream and downstream extension of the industrial chain and integrated operation of the supply chain, and strived to build itself into an integrated operation service provider for the entire industrial chain of the timber industry' ([55]). Beyond formal ownership, state authorities can control and supervise companies through informal channels, as illustrated by the privately owned Luli Group Co., Ltd. which, according to public sources, has been 'cultivated' by the Shandong province government ([56]). Similarly, even a smaller scale producer Feiya Wood Industry, referred to also by the complainant, complies with the CCP's expectations to the extent that its general manager was awarded the honorary title of 'outstanding private entrepreneur' by the CCP Xuzhou Municipal Committee and the Xuzhou Municipal People's Government ([57]).

([49]) Ibid., p. 204-205.
([50]) Ibid., p. 207-208, 242-243.
([51]) Ibid., p. 19-24, 69, 99-100, 130-131.
([52]) See at: http://www.gxlyjt.com/lyjt/columns/1 (accessed on 27 January 2025).
([53]) See at: https://en.sumec.com/men/index.html (accessed on 23 January 2025).
([54]) See p. 252 of Jiangsu High Hope Group's annual report 2023, available at: http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-4/2024-04-29/10135358.PDF (accessed on 22 January 2025).
([55]) See at: http://www.highhope.com/xinxigongkai/chengyuanqiye/huihongyasen/qiyejibenxinxi/2022-03-08/3061.html (accessed on 23 January 2025).
([56]) See at: lyj.hunan.gov.cn/tslm_71206/lysc/scxx/201512/t20151227_2693076.html (accessed 22 January 2025).
([57]) See at: https://m.thepaper.cn/baijiahao_5438304 (accessed 27 March 2025).

(123) In addition, given that CCP interventions into operational decision making have become the norm also in private companies ([58]), with CCP claiming leadership over virtually every aspect of the country's economy, the influence of the state by means of CCP structures within companies effectively results in economic operators being under control and policy supervision of the government.

(124) Moreover, the hardwood plywood sector is subject to several government policies, as the wood processing sector has been listed as an encouraged industry both in the 2019 Guiding Catalogue for Industry Structural Adjustment ([59]), as well as in its 2024 updated version ([60]). Additionally, both versions of the catalogue list the 'plywood and blockboard production lines with a capacity of less than 10 000 cubic meters per year' as a restricted industry which effectively amounts to governmental guidance in favour of large-scale producers ([61]).

(125) Similarly, the 14th Forest FYP sets the following objectives: 'Encourage the development, application and promotion of new environmentally friendly adhesives, and gradually increase the proportion of low-formaldehyde and formaldehyde-free wood processing products. […] Accelerate the development of emerging industries such as customized home furnishings, wood structures and wood building materials, […] By 2025, the output of wood-based panels will stabilize at around 300 million cubic meters.'

(126) Government control and policy supervision can be also observed at the level of the relevant industry associations ([62]). For instance, CNFPIA states in Article 3 of its Articles of Association that the organisation 'accepts the business guidance, supervision and management by the entities in charge of registration and management, by the entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management' ([63]).

(127) Arser is a member of the CNFPIA and was selected as a demonstration company member for some of CFPIA's activities ([64]).

(128) Luli Group Co., Ltd. is a member of the CFPIA and was selected as a benchmark company member for some CFPIA's activities ([65]).

(129) Similarly, the China Timber and Wood Products Distribution Association ('CTWPDA') also states in Article 3 of its Articles of Association that the organisation 'accepts the business guidance, supervision and management by the entities in charge of registration and management, by the entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management' ([66]) and presents itself as an 'association subject to the administration of the Ministry of Civil Affairs and the supervision and guidance of the State-Owned Asset Supervision and Administration Commission of the State Council […]' ([67]).

([58]) See for example Article 33 of the CCP Constitution, Article 19 of the Chinese Company Law or the Guidelines on stepping up the United Front work in the private sector for the new era issued by the General Office of the CCP's Central Committee in 2020.
([59]) See Section I.1.39, p. 4, available at: https://www.gov.cn/xinwen/2019-11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf, (accessed on 23 January 2025).
([60]) See Sec. I.1.7, p. 11, available at: https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf, (accessed on 23 January 2025).
([61]) See Section II.1.9 p. 81, available at: https://www.gov.cn/xinwen/2019 11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf; and Section II1.7 p. 85 available at: https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf, (both accessed on 23 January 2025).
([62]) Report, Chapter 2, p. 24-27.
([63]) See at: http://www.cnfpia.org/about-law.html (accessed on 22 January 2025).
([64]) See at: http://www.highhope.com/dongtaizixun/huihongdongtai/2019-07-29/1394.html (accessed on 23 January 2025).
([65]) See at: https://www.luligroup.com/index.php?m=content&c=index&a=show&catid=9125&id=2177 (accessed on 23 January 2025).
([66]) See at: https://www.cnwood.org.cn/article/11_1102_0_0.html?shId=226 (accessed on 23 January 2025).
([67]) Ibid.

(130) Luli Group Co., Ltd. is a member of CTWPDA ([68]). Consequently, even privately owned producers in the sector of the product concerned are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the sector are subject to policy supervision and guidance.

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

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

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

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

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

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

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

(137) The present investigation confirmed that overlaps between managerial positions and CCP membership/functions exist also in the hardwood plywood sector. For example, the general manager of Arser holds in parallel the position of the Party branch secretary and the chairman of the mother company Jiangsu High Hope Group also serves as the group's Party committee secretary ([75]).

([68]) See at: https://www.cnwood.org.cn/article/12_12887_0_0.html?shId=226 (accessed on 23 January 2023).
([69]) Report, Chapter 3, p. 40.
([70]) See for example: Blanchette, J. – *Xi's Gamble: The Race to Consolidate Power and Stave off Disaster*, Foreign Affairs, Vol. 100, No 4, July/August 2021, p. 10-19.
([71]) Report, Chapter 3, p. 41.
([72]) See at: https://merics.org/en/comment/who-ccp-chinas-communist-party-infographics (accessed on 30 January 2025).
([73]) See General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era, available at: www.gov.cn/zhengce/2020-09/15/content_5543685.htm (accessed on 29 January 2025).
([74]) See Financial Times (2020) – Chinese Communist Party asserts greater control over private enterprise, see at: https://on.ft.com/3mYxP4j (accessed on 29 January 2025).
([75]) Ibid.

(138) Furthermore, the chairman of the board of directors of Guangxi Forestry Group Co., Ltd. serves as the secretary of the group's Party committee ([76]). Moreover, the company's Party members are required to 'take the lead in implementing all decisions and arrangements of the group's party committee, always strengthen responsibility, play a demonstration and leading role, and transform the results of party discipline learning and education into a powerful driving force for promoting the high-quality development of the group' ([77]).

(139) Moreover, a member of SUMEC's board of directors serves as the secretary of the company's Party committee and the company's general manager is also the deputy secretary of the company's Party committee ([78]).

(140) Similarly, the deputy chairman of Luli Group Co., Ltd. serves in parallel as the secretary of the Party committee ([79]). Also, the company's secretary of the Party committee confirms that 'Luli Group Co., Ltd. shall focus on the overall deployment of the Shougang Municipality Party Committee's and the Municipal Government's long term strategic goal of building a RMB 100 billion strong company' ([80]).

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

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

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

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

(144) The Chinese authorities have enacted several policies guiding the functioning of the sector hardwood plywood.

(145) For example, the Guiding Opinion on Promoting the High Quality Development of Forestry and Grassland Industry ([83]) ('the Forestry Guiding Opinion') contains also the following provisions: 'By 2025, the system and mechanism for the rational utilization of forest and grass resources will be basically formed, the supporting capacity of forest and grass resources will be significantly enhanced, the output of high-quality forest and grass products will be significantly increased, and the trade of forest products will be further expanded, striving to increase the national forestry output value by 50 % on the current basis. […] By 2035, […] the scale of the forest and grass industry will

([76]) See at: http://gxlyjt.com/lyjt/doc/820 (accessed on 27 January 2025).
([77]) See at: http://www.gxlyjt.com/lyjt/doc/2711 (accessed on 28 January 2025).
([78]) See SUMEC annual report 2023, p.37, available at: https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-04-13/600710_20240413_DL95.pdf (accessed on 23 January 2025).
([79]) See at: https://www.gov.cn/xinwen/2022-08/03/content_5704115.htm, (accessed on 23 January 2025).
([80]) See at: https://guancai.lgmi.com/html/202302/03/4616.htm (accessed on 28 January 2025).
([81]) Report, Chapter 12.
([82]) Report, Chapter 4, p. 56-57, 99-100.
([83]) See at: https://www.gov.cn/xinwen/2019-02/19/content_5366730.htm (accessed on 27 January 2025).

be further expanded, […] the industry structure will be further optimized, the product quality and level of service will be comprehensively improved, the supervision of resource utilisation will be more efficient, so as to continuously enhance the sector's capacity to serve national strategies' ([84]). The Forestry Guiding Opinion also requires to 'promote the upgrading of the processing industry [by] optimizing the layout of the raw material base as well as of the forest and grass product processing industry' ([85]).

(146) Furthermore, at provincial level, the Guangxi Autonomous Province – where the Guangxi Forestry Group Co., Ltd. is located, has adopted the 14th FYP on economic and social development and 2035 perspectives ([86]) aiming to 'complement, strengthen and extend advantageous industry chains', including by 'promot[ing] the transformation and upgrading of traditional industries such as […] wood processing'. Further, concerning the forestry processing industry, the addressees of the plan are required to: 'focus on the development of papermaking [and] wood-based panels […]' and 'on building an entire industry chain of manufactured board, furniture and home furnishing.'

(147) Also at local level, the Shuyang District (Jiangsu) adopted, in January 2024, the Opinion on the High Quality Development of Wood Processing and Furniture Manufacturing Industry ([87]) aiming to '[b]y the end of 2026, cultivate 1-2 listed companies, 1-2 enterprise groups with an output value exceeding RMB 5 billion and continuously improve the overall quality of the industry [and] improve the industry chain, increase the share of finished products such as high-end flooring, furniture and decorative materials.' To this end, it also specifies that 'the plywood industry shall focus on the development of base products for furniture, solid wood composite flooring, household items, etc. [and that] the production capacity of plywood and blockboard production lines shall not be less than 10 000 cubic meters/year.' Through these and other means, the GOC directs and controls virtually every aspect in the development and functioning of the sector, as well as the upstream inputs.

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

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

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

(150) The number of bankruptcies remains notoriously low in relation to the size of the country's economy, not least because the insolvency proceedings suffer from a number of shortcomings, which effectively function as a disincentive for bankruptcy filings. Moreover, the role of the state in the insolvency proceedings remains strong and active, often having direct influence on the outcome of the proceedings ([88]).

([84]) Ibid. See Section III.
([85]) Ibid. See Section IV.
([86]) See Sections XI.1 and XV.3 of the plan, available at: https://www.ndrc.gov.cn/fggz/fzzlgh/dffzgh/202106/t20210617_1283435.html (accessed on 27 January 2025).
([87]) See at: https://shyang.investchn.com/news/detail/id/512215.html (accessed on 27 January 2025).
([88]) Report, Chapter 6, p. 171-179.

(151) In addition, the shortcomings of the system of property rights are particularly obvious in relation to ownership of land and land-use rights in the PRC ([89]). All land is owned by the state (collectively owned rural land and state-owned urban land) and its allocation remains solely dependent on the state. There are legal provisions that aim at allocating land use rights in a transparent manner and at market prices, for instance by introducing bidding procedures. However, these provisions are regularly not respected, with certain buyers obtaining their land for free or below market rates ([90]). Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land ([91]).

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

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

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

(154) A system of market-based wages cannot fully develop in the PRC as workers and employers are impeded in their rights to collective organisation. the PRC has not ratified a number of fundamental ILO conventions, in particular those on freedom of association and on collective bargaining ([92]).

(155) Under national law, only one trade union organisation is active. However, this organisation lacks independence from the state authorities and its engagement in collective bargaining and protection of workers' rights remains rudimentary ([93]). Moreover, the mobility of the Chinese workforce is restricted by the household registration system, which limits access to the full range of social security and other benefits to local residents of a given administrative area.

(156) This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower income than the holders of the residence registration ([94]).

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

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

(158) Access to capital for corporate actors in the PRC is subject to various distortions.

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

(159) First, the Chinese financial system is characterised by the strong position of state-owned banks ([95]), which, when granting access to finance, take into consideration criteria other than the economic viability of a project. Similar to non-financial SOEs, the banks remain connected to the state not only through ownership but also via personal relations (the top executives of large state-owned financial institutions are ultimately appointed by the CCP) ([96]) and they regularly implement public policies designed by the GOC.

(160) In doing so, the banks comply with an explicit legal obligation to conduct their business in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the state ([97]). While it is acknowledged that various legal provisions refer to the need to respect normal banking behaviour and prudential rules such as the need to examine the creditworthiness of the borrower, the overwhelming evidence, including findings made in trade defence investigations, suggests that these provisions play only a secondary role in the application of the various legal instruments.

(161) For example, the GOC has clarified that even private commercial banking decisions must be overseen by the CCP and remain in line with national policies. One of the state's three overarching goals in relation to banking governance is now to strengthen the Party's leadership in the banking and insurance sector, including in relation to operational and management issues ([98]). Also, the performance evaluation criteria of commercial banks have now to, notably, take into account how entities 'serve the national development objectives and the real economy', and in particular how they 'serve strategic and emerging industries' ([99]).

(162) Furthermore, bond and credit ratings are often distorted for a variety of reasons including the fact that the risk assessment is influenced by the firm's strategic importance to the GOC and the strength of any implicit guarantee by the government ([100]). This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important ([101]). This results in a bias in favour of lending to SOEs, large well-connected private firms and firms in key industrial sectors, which implies that the availability and cost of capital is not equal for all players on the market.

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

([95]) Report, Chapter 6, p. 137-140.
([96]) Ibid., p. 146-149.
([97]) Report, Chapter 6, p. 149.
([98]) See the *Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022*) issued by the China Banking and Insurance Regulatory Commission ('CBIRC') on 28 August 2020, available at: https://www.gov.cn/zhengce/zhengceku/2020-08/30/content_5538504.htm (accessed on 30 January 2025). The Plan instructs to 'further implement the spirit embodied in General Secretary Xi Jinping's keynote speech on advancing the reform of corporate governance of the financial sector'. Moreover, the Plan's Section II aims at promoting the organic integration of the Party's leadership into corporate governance: 'we shall make the integration of the Party's leadership into corporate governance more systematic, standardised and procedure-based […] Major operational and management issues must have been discussed by the Party Committee before being decided upon by the Board of Directors or the senior management'.
([99]) See the *Notice on the Commercial banks performance evaluation method* issued by the CBIRC on 15 December 2020, available at: http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm (accessed on 31 January 2025).
([100]) Report, Chapter 6, p. 157-158.
([101]) Report, Chapter 6, p. 150-152, 156-160, 165-171.

(164) Third, although nominal interest rate liberalization was achieved in October 2015, price signals are still not the result of free market forces but are influenced by government-induced distortions. The share of lending at or below the benchmark rate still represented at least one-third of all lending as of the end of 2018 ([102]). Official media in the PRC have recently reported that the CCP called for 'guiding the loan market interest rate downwards' ([103]). Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.

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

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

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

#### 3.2.1.4. Systemic nature of the distortions

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

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

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

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

([102]) OECD (2019), *OECD Economic Surveys: China 2019*, OECD Publishing, Paris. p. 29, see at: https://doi.org/10.1787/eco_surveys-chn-2019-en (accessed on 31 January 2025).

([103]) See at: http://www.gov.cn/xinwen/2020-04/20/content_5504241.htm (accessed on 31 January 2025).

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

3.2.1.5. Arguments from the interested parties

(173) On 25 November 2024, PTIA submitted comments concerning the application of Article 2(6a) of the basic Regulation, arguing that the complainant's analysis on significant distortions in the hardwood plywood sector in the PRC does not rely on sufficiently specific evidence. In particular, in PTIA's view: (i) the references to the Commission's conclusions in relation to the okoumé plywood are irrelevant given the questionable overlap between the tropical family of wood species to which okoumé plywood belongs and the woods species of the product concerned; (ii) the complainant had relied on significant distortions in a too general manner, for example when referencing Arser as an SOE, even though that company represents less than 1 % of the total actual production capacity within a sector, which is in fact largely fragmented and not controlled by the state; (iii) it is not clear how the 14th Forest FYP specifically relates to hardwood plywood, in particular in view of the Plan's focus on objectives pursued also by the EU, such as energy-saving and clean production technology; (iv) it is not clear how the Chinese policies which the complainant referred to and which aim to address the insufficient wood supply are linked to the alleged distortions.

(174) The Commission disagreed. Concerning PTIA's general argument on sufficiency of evidence to demonstrate the existence of significant distortions, the Commission recalled that according to Article 2(6a)(e) of the basic Regulation, if the Commission deems the evidence submitted by the complainants on the significant distortions sufficient, it can initiate the investigation on this basis. As confirmed by the General Court in *Viraj Profiles*, the quantity and quality of the evidence necessary to meet the criteria of the sufficiency of the evidence for the purpose of initiating an investigation is different from that which is necessary for the purpose of a preliminary or final determination of the existence of dumping, injury or of a causal link ([104]).

(175) Accordingly, the complainant's reference to examples of significant distortions, whether concerning the presence of SOE's in the sector of the product concerned (such as of Arser or the existence of government policies having distortive effects on free play of market forces (such as industrial planning documents and policies directly impacting import and export prices), as well as the complainant's reliance on the relevant publicly available evidence, as also listed in the Notice of Initiation, are in line with the legal standards applicable at that stage of the investigation. In addition, the Commission noted that PTIA's references to other jurisdictions allegedly pursuing certain policy goals similar to those of the GOC or PTIA's claim that distortions exist also in other jurisdictions bear no relevance in the context of assessing the sufficiency of evidence at initiation.

(176) Hence, the complaint met the standards set in Article 5(9) of the basic Regulation, in combination with Article 2(6a)(d). Indeed, as indicated in the Notice of Initiation, the Commission considered at the initiation stage that there was sufficient evidence pursuant to Article 5(9) of the basic Regulation tending to show that, due to significant distortions affecting prices and costs, the use of domestic prices and costs in the PRC would be inappropriate, thus warranting the initiation of an investigation on the basis of Article 2(6a) of the basic Regulation.

(177) The Commission then proceeded to investigate such distortions in the context of the present investigation. In order to do so, the Commission has, in line with Article 2(6a)(e) of the basic Regulation, collected the data necessary to determine the existence and impact of significant distortions and the consequent use of the methodology prescribed by Article 2(6a)(a) of the basic Regulation. The data collected by the Commission and the resulting conclusions are presented in detail in Section 3.2.1 of this Regulation. Therefore, PTIA's arguments on the evidence contained in the complaint could not be accepted.

([104]) Judgment of 11 July 2017, Viraj Profiles v Council, T-67/14, ECLI:EU:T:2017:481, recital 98.

(178) On 20 March 2025, Jiangshan Wood submitted comments on the Second Note, arguing that the complainant misrepresents the Chinese industry by stating that Chinese hardwood plywood exporters are amongst the world's largest producers and most of them are State-owned. According to Jiangshan Wood, this is misguided as the Chinese industry consists of many small producers, essentially SMEs. Moreover, Jiangshan Wood pointed out that certain companies (SUMEC, Arser), which the complainant had identified as producers, are in fact traders.

(179) The Commission took note of Jiangshan Wood's submission. However, the issues pointed out by the company cannot alter the Commission's determinations concerning the existence of significant distortions. This is because those determinations are not based on the information contained in the complaint but on the entire body of evidence on file. The relevant evidence supporting the Commission's findings is laid out in detail in Section 3.2.1.3, including certain clarifications concerning some of the market operators referred to by the complainant.

#### 3.2.1.6. Conclusion

(180) In view of the above, the Commission concluded that it is not appropriate to use domestic prices and costs to establish normal value in this case. Consequently, the Commission proceeded to construct the normal value exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks, that is, in this case, on the basis of corresponding costs of production and sale in an appropriate representative country, in accordance with Article 2(6a)(a) of the basic Regulation, as described in the following section.

### 3.2.2. *Representative country*

#### 3.2.2.1. General remarks

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

— A level of economic development similar to the PRC. For this purpose, the Commission used countries with a gross national income per capita similar to the PRC on the basis of the database of the World Bank ([105]),

— Production of the product under investigation in that country,

— Availability of relevant public data in the representative country,

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

(182) As explained in Section 3.1, the Commission issued two notes for the file on the sources for the determination of the normal value: the first note on production factors of 19 December 2024 and the second note on the production factors of 11 March 2025. These notes described the facts and evidence underlying the relevant criteria, and also addressed the comments received by the parties on these elements and on the relevant sources. In the Second Note, the Commission informed interested parties of its intention to consider Türkiye as an appropriate representative country in the present case if the existence of significant distortions pursuant to Article 2(6a) of the basic Regulation would be confirmed.

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

A level of economic development similar to the PRC where production of hardwood plywood takes place

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

(184) The Commission considered that Belarus, Russia and Ukraine were not appropriate representative countries due to the fact that the Union imposed successive packages of sanctions on Belarus and Russia because of the military aggression by Russia against Ukraine. These restrictive measures with regards to Belarus included export restrictions on wood products including the product under investigation from the Union to Belarus ([106]). Regarding Russia, the Commission noted that imports of birch plywood are subject to anti-dumping duties since 2021 ([107]). In addition, imports into the Union from Russia of products falling under Chapter 44 (including plywood and veneer, which are the main raw materials to produce plywood) are subject to restrictions since 10 July 2022 ([108]). Apart from the fact that the situation in Ukraine was heavily impacted by the ongoing conflict with Russia, according to the complainant, Ukraine primarily produced hardwood plywood of birch species, whereas the product definition encompasses various other hardwood species ([109]).

(185) The Commission further noted that among the potentially representative countries, Ecuador and Mexico had production of mainly softwood species. Therefore, the possible representative countries remained Brazil, Indonesia, Malaysia, Thailand and Türkiye.

Availability of relevant readily available data in the representative country

(186) The Commission subsequently looked whether there were readily available data in the countries identified above. It first noted that with regard to Indonesia, there were no readily available data in $m^3$, which is the unit of measurement used both by the Union industry and the Chinese exporting producers, on imports of factors of production in Indonesia. Additionally, most of the hardwood plywood production in Indonesia was produced from tropical wood species (and not from poplar or birch, which were most commonly represented in the PRC and the Union). Also, while statistics were available for Brazil and Thailand, both countries imported significant volumes of veneer from the PRC. Similar to Indonesia, most of the hardwood plywood production in Malaysia was produced from tropical wood species (and not from poplar and birch, which were most commonly represented in the PRC and the Union) and there were no import data on poplar logs.

(187) On this basis the Commission concluded that Türkiye was the only country with a significant production of hardwood plywood of the same species of wood (poplar, birch, and eucalyptus) that were produced in the PRC, and which were, at the same time, mostly imported into the Union from the PRC. The Commission further noted that Türkiye was the only country for which statistics contained data on imports of the most important factors of production, despite the lack of reliable import data on veneer and on eucalyptus logs.

(188) The Commission identified five producers in Türkiye with publicly available financial information: Isik Ahsap Profil Lojistik Sanayi Ve Ticaret Anonim Sirketi, Epalsan Orman Urunleri Nakliye Sanayi Ve Ticaret Linited Sirketi, Sakarya Kerestecilik Sanayi Ve Ticaret Anonim Sirketi, Murat Sahin Orman Urunleri Insaat Mimarlik Nakliyat Sanayi Ve Ticaret Limited Sirketi, and AGL Ahsap Sanayi Anonim Sirketi.

(189) Interested parties were invited to comment on the appropriateness of Türkiye as a representative country and of the above-mentioned companies as producers in the representative country.

([106]) Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 134, 20.5.2006, p. 1, ELI: http://data.europa.eu/eli/reg/2006/765/oj).

([107]) Implementing Regulation (EU) 2021/1930.

([108]) Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1, ELI: http://data.europa.eu/eli/reg/2014/833/oj).

([109]) Open version of the complaint, recital 115.

(190) The Commission received comments from the cooperating exporting producer, Jiangshan Wood. In its comments following the First Note, Jiangshan Wood considered that the Commission should not have discarded Indonesia on the grounds that import data in statistics were reported in weight (kg) and not in $m^3$, because the weight could be converted in $m^3$ based on the conversion ratios Jiangshan Wood provided. Jiangshan Wood argued that Indonesia was the most appropriate representative country as the statistical data contained imports of all important factors of production, at prices in line with the market prices. In addition, it pointed to companies in Indonesia with readily available information.

(191) Furthermore, Jiangshan Wood submitted that Türkiye was not the most suitable representative country for most of the factors of production because there was no data in the statistics, and because the value reported in Eurostat for poplar logs was too high and did not correspond to the market value.

(192) The Commission considered that while for some factors of production, such as specific types of logs, a conversion factor could be used, for some others, such as veneer, the HS code covers several wood species, and a conversion would be biased by the fact that the conversion factor varies considerably depending on the wood used for the veneer. Additionally, the hardwood plywood produced in Indonesia is mainly from tropical wood species such as teak, meranti, or sengon/Albasian ([110]) while the most represented wood species used for the production of the product concerned imported from the PRC to the Union are poplar, birch and eucalyptus. Furthermore, the quantities of the different factors of production imported into Indonesia in the IP were relatively low.

(193) Türkiye, on the other hand, had in the IP a considerable production of hardwood plywood which employs predominantly species such as poplar, birch and beech. Türkiye Forest Products Annual Market Review 2021 mentions that in 2020, the production of plywood was 300 000 $m^3$ and the same volume was forecasted for 2021 ([111]). Although the statistics related to 2020 (and the forecast to 2021), it was assumed that a similar level of production took place during the IP. Therefore, the Commission maintained its selection of Türkiye as the representative country and the arguments raised by Jiangshan Wood were rejected.

Level of social and environmental protection

(194) Having established that Türkiye was the only available appropriate representative country, based on all of the above elements, there was no need to carry out an assessment of the level of social and environmental protection in accordance with the last sentence of Article 2(6a)(a) first indent of the basic Regulation.

3.2.2.2. Conclusion

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

3.2.3. *Sources used to establish undistorted costs*

(196) In the First Note, the Commission listed the factors of production, such as materials, energy and labour, used in the production of the product under investigation by Jiangshan Wood. In this note, the Commission identified imports into the possible representative countries of the main factors of production and it noted that the data on imports into Türkiye contained data on imports for the most important factors of production, despite the lack of reliable import data on sheets for veneers for plywood and eucalyptus logs. Therefore, in terms of statistical data on imports of factors of production, the Commission concluded that the most detailed data was available in Türkiye. On this basis, the Commission invited the interested parties to comment and propose publicly available information on undistorted values for each of the factors of production mentioned in that note.

([110]) https://megaplywoodindonesia.com/plywood-industry-tips/the-existence-of-indonesian-plywood-now-going-global/.
([111]) Turkey Forest Products Annual Market Review 2021 (turkey-country-market-statement-2021.pdf).

(197) Subsequently, in the Second Note, the Commission further looked into how to establish a benchmark value for the factors of production identified in the First Note, in order to construct the normal value in accordance with Article 2(6a)(a) of the basic Regulation. Article 2(6a)(a) of the basic Regulation prescribes the use of corresponding data in an appropriate representative country 'provided that the relevant data are readily available'.

(198) In the present case, although statistics contained data on imports of poplar logs and eucalyptus veneer into Türkiye, these two major factors of production were not imported to Türkiye (nor to any other country, including the other possible representative countries) in representative quantities. Consequently, the Commission concluded that the prices of these imports were not representative of market prices.

(199) The Commission therefore searched for another benchmark price representative for a market price. It identified the biggest exporters worldwide of poplar logs and eucalyptus veneer. Since the statistics on exports from the biggest exporting countries of these two factors of production contained data on considerable export volumes, the Commission proposed, in the Second Note, to base the benchmark price for poplar logs and eucalyptus veneer on the export price from the biggest exporting countries: worldwide exports from France for poplar logs and worldwide exports from Ukraine for eucalyptus veneer.

(200) The other two important factors of production, laminates paper and flour, were imported into the proposed representative country (Türkiye) in significative quantities and therefore, the Commission considered that the import prices of laminates paper and flour into Türkiye (excluding imports from China and countries listed in Annex I of Regulation (EU) 2015/755 of the European Parliament and of the Council ([112])) were representative of the market prices.

(201) In addition, the Commission stated that it would use the Turkish statistics for establishing undistorted costs of labour ([113]) and energy ([114]).

(202) In the Second Note, the Commission also informed the interested parties that due to the negligible weight of some of the individual factors of production in the total cost of production, these negligible individual items were grouped under 'consumables'. Further, the Commission informed that it would calculate the percentage of the consumables on the total cost of raw materials and apply this percentage to the recalculated cost of raw materials when using the established undistorted benchmarks in the appropriate representative country.

#### 3.2.3.1. Comments on the sources to establish the undistorted costs proposed in the Second Note

(203) After the publication of the Second Note, the complainant mentioned its support for the choice of the Commission to establish a replacement cost for construction of normal values using the average price of France's exports of poplar logs. It considered that the average price of France's exports of poplar logs as reported in the Second Note (117 EUR/$m^3$) was reasonable.

(204) Jiangshan Wood also submitted that it appreciated the Commission's reasonable approach on the benchmark for poplar logs. It mentioned however that a more reasonable approach would be to take the intra-Union import statistics with prices in line with trading prices between Canada and the US.

(205) The Commission took the comments into account, but maintained that the average price of France's exports of poplar logs was representative of the market price, as being the biggest exporter worldwide. The Commission, however, corrected clerical errors that stemmed from double entries, and updated the benchmark price accordingly (see Section 3.2.3.2 Raw materials).

([112]) Regulation (EU) 2015/755 of the European Parliament and of the Council of 29 April 2015 on common rules for imports from certain third countries (OJ L 123, 19.5.2015, p. 33, ELI: http://data.europa.eu/eli/reg/2015/755/oj).
([113]) https://data.tuik.gov.tr/Bulten/Index?p=Labour-Cost-Statistics-2022-49571.
([114]) epdk.gov.tr => Press releases => select Electricity Market board decisions.

(206) With regard to eucalyptus veneer, the complainant argued that Ukraine did not produce (grow/harvest) eucalyptus trees on a commercial scale, due to unsuitable climate conditions, and therefore, the significant export volumes from Ukraine under HS code 4408 90 corresponded in all likelihood to veneers of birch and beech species, or other non-coniferous species, but not to eucalyptus veneers. It also considered that the resulting average price of exports from Ukraine (251,49 EUR/$m^3$) did not reflect the prices of eucalyptus veneers, which were considerably higher, and that, hence, the proposed benchmark was too low. It submitted that the starting price of eucalyptus veneer was up to three times higher than the Commission's benchmark, and that it should be in average around 520 EUR/$m^3$. To demonstrate the price ranges, the complainant submitted sensitive bills of eucalyptus veneer originating in Uruguay and Paraguay, which it considered to be one of the largest and most known sources of eucalyptus veneers for the hardwood plywood production.

(207) As a response to the comments by the complainant, PTIA submitted that the benchmark price for the eucalyptus veneer was too high. It argued that the Commission could use instead the price of Brazilian imports into the Union of eucalyptus logs, which would result in a benchmark price of around 55 EUR/$m^3$, or alternatively, the import price of eucalyptus logs into the PRC at a similar level. It submitted as additional evidence invoices and contracts of eucalyptus logs from Uruguay and from Brazil.

(208) The Commission first noted that, indeed, HS code 4408 90 was a basket code that included veneers made of more hardwood species, and not only of eucalyptus. It also accepted the comment from the complainant that since eucalyptus was not grown in Ukraine, the exports under that code from Ukraine was more likely to include other wood species rather than eucalyptus.

(209) The Commission, however, disagreed with the claim of PTIA that the price for the eucalyptus veneer could be based on the price per kg of the eucalyptus imports of logs into the Union or to the PRC. The statistics for imports of the eucalyptus logs only existed in kg and therefore could not be directly used to establish a price per $m^3$. Furthermore, the Commission could not accurately establish what is the consumption of the eucalyptus logs per $m^3$ of veneer, as the consumption ratio largely depends on the quality of the logs and the production process. Finally, any benchmark price of eucalyptus logs would have to be adjusted to take into account the added value of the production process to produce eucalyptus veneer from the logs. For the same reasons as above, i.e. the relevance of the quality of the logs and the production process, the Commission was not in a position to accurately calculate such added value. For these reasons, the Commission disagreed that in this specific case, a benchmark for eucalyptus veneer should be based on the price of the eucalyptus logs, which is an input material and different product than veneer.

(210) The Commission further considered that even if it opted for exports of eucalyptus veneer from another specific country where eucalyptus was grown, the HS code remained a basket code and included all types of hardwood species, some of which could be considerably cheaper than eucalyptus, whereas some other species are considerably more expensive than eucalyptus (such as various exotic tropical species used exclusively as top-quality face veneers), including for exports from Uruguay and Paraguay where more hardwood species are grown. Since the prices based on particular invoices could not be considered as representative evidence to establish the market price, the Commission found it most appropriate to establish the benchmark price based on an average export price (of around 443 EUR/$m^3$) from the biggest exporting countries under the HS code 4408 90 (including eucalyptus and veneer of species similar to eucalyptus), which was in line with the price of the eucalyptus exports from Paraguay and Uruguay, submitted by the complainant. The Commission thus adapted the benchmark price accordingly.

(211) Concerning the benchmark for flour, Jiangshan Wood considered that the flour market in Türkiye was distorted and therefore the price of the imports was not representative as a benchmark price. It argued that Türkiye put in place a series of measures that distorted the market: since May 2023, a 130 % tariff on imports of wheat (and 0 % if the imported wheat is processed into flour or pasta which is exported), and a 102,6 % tariff on imports of wheat flour. Jiangshan Wood submitted that the tariffs were designed to prohibit flour imports and to promote the domestic processing of cheap imported wheat into flour for export. It also claimed that exports of flour from Türkiye decreased significantly which meant that during the IP, flour prices in Türkiye were distorted and inflated. Jiangshan Wood argued that, in addition, Türkiye imposed a number of restrictions on the importation of flour, including import licensing and inspection requirements. Jiangshan Wood therefore argued that the Commission should use an undistorted price for flour when determining the normal value which could be the CIF (Cost, Insurance and Freight) Türkiye import price, without applying the 102,6 % import tax.

(212) Jiangshan Wood also submitted that the HS code used by the Commission (HS 1101 00 00) contained flour used for food products, and not only for hardwood plywood. It submitted that when determining the benchmark price for flour, the Commission should use HS code 1101 00 15 (HS code for wheat or meslin flour of common wheat and spelt) instead.

(213) The Commission rejected the argument that, because of the alleged distortions on the Turkish market, it should not consider the import duty. The quantities of flour imported to Türkiye were significant, so there was a demand for flour at prices including the import duties. Therefore, its price was considered representative of a market price. The Commission thus rejected the claim that the price of flour did not constitute a representative benchmark and maintained its approach as explained above. The Commission, however, accepted the argument of Jiangshan Wood to use the HS code 1101 00 15 to establish the price, instead of the general code for flour (HS 1101 00 00).

(214) Jiangshan Wood also submitted that the benchmark for labour and electricity was unnecessarily inflated since the Commission, first, converted Turkish Lira ('TRY') to EUR and then EUR to Chinese Yuan ('CNY') and that it was therefore influenced by bilateral TRY to EUR exchange rate fluctuations. It submitted that the Commission should convert TRY to CNY directly by using the average exchange rate of 0,22211, published at https://www.xe.com/.

(215) The Commission rejected the claim. Indeed, exchange rates published by other sources such as the one mentioned by Jiangshan Wood may differ from the ones used by the Commission to establish the benchmark price. However, the Commission relied, in line with its practice, on the official exchange rates published by the European Central Bank, which were the official exchange rates in the IP. The exchange rates published by the European Central Bank allow the Commission to determine a direct conversion from TRY to EUR (using in this specific case the exchange rate 0,2434). The benchmark price determined based on the conversion leads to the same benchmark price in CNY as determined by the Commission. The claim was thus rejected.

#### 3.2.3.2. Factors of production

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

*Table 1*

**Factors of production of product under investigation**

| Factor of Production | HS Code | Source | Undistorted value | Unit of measurement |
|---|---|---|---|---|
| *Raw materials* | | | | |
| Poplar log | 4403 97 | Global Trade Atlas ('GTA') ([1]) | 1 003,09 CNY | $m^3$ |
| Eucalyptus veneer | 4408 90 | GTA | 4 232,09 CNY | $m^3$ |
| Laminates paper | 4811 49 | GTA | 25,38 CNY | kg |
| Flour | 1101 00 15 | GTA | 5,31 CNY | kg |
| *Consumables* | | | | |
| *Labour* | | | | |
| | n/a | National statistics | 43,76 CNY | hour |
| *Energy* | | | | |
| Electricity | n/a | Turkish Energy Market Regulatory Authority | 0,77 CNY | KWh |

([1]) http://www.gtis.com/gta/secure/default.cfm.

(217) The Commission included a value for manufacturing overhead costs in order to cover costs not included in the factors of production referred to above. To establish this amount, the Commission expressed the manufacturing overhead cost incurred by the cooperating exporting producer for the production of the product under investigation as a percentage of the actual cost of the used raw materials and then applied the same percentage to the undistorted cost of the same raw materials in order to obtain the undistorted manufacturing overhead cost. The Commission considered that, in the context of this investigation, the ratio between the exporting producer's raw material and the reported overhead costs could be reasonably used as an indication to estimate the undistorted manufacturing overhead costs when delivered to the company's factory.

3.2.3.3. Raw materials

(218) In order to establish the undistorted price of two main raw materials, poplar log and eucalyptus veneer, the Commission used a weighted average export price of the biggest exporters of these materials worldwide – France in case of poplar logs and an average of the main exporting countries in case of eucalyptus veneer ([115]). Export prices were at Cost, Insurance and Freight ('CIF') level, to which the Commission added import duties of 4,1 % in case of poplar logs and 2,5 % in case of eucalyptus veneer, which was considered reasonable, and in line with average import duties levied by ten biggest importing countries covering between 84 % to 99 % of the worldwide imports of these wood products.

([115]) Exports to the PRC were excluded.

(219) For the two other remaining raw materials, laminates paper and flour, the Commission established the benchmark based on the weighted average import price to the representative country, as reported in the GTA, to which import duties and transport costs were added. An import price in the representative country was determined as a weighted average of unit prices of imports from all third countries excluding the PRC and the countries listed in Annex 1 to Regulation (EU) 2015/755 ([116]). The Commission decided to exclude imports from the PRC into the representative country, as it concluded in Section 3.2.1.5 above, that it is not appropriate to use domestic prices and costs in the PRC due to the existence of significant distortions in accordance with Article 2(6a)(b) of the basic Regulation. Given that there is no evidence showing that the same distortions do not equally affect products intended for export, the Commission considered that the same distortions affected export prices.

(220) For a number of factors of production, the actual costs incurred by the cooperating exporting producers represented a negligible share of total raw material costs in the review investigation period. As the value used for these had no appreciable impact on the dumping margin calculations, regardless of the source used, the Commission decided to include those costs into consumables. The Commission calculated the percentage of the consumables on the total cost of raw materials and applied this percentage to the recalculated cost of raw materials when using the established undistorted prices.

(221) In order to establish the undistorted price of raw materials, as provided by Article 2(6a)(a), first indent of the basic Regulation, the Commission added the relevant import duties to the CIF value recorded in the import statistics of the representative country, as available in GTA.

(222) The Commission expressed the transport cost incurred by the cooperating exporting producer for the supply of raw materials as a percentage of the actual cost of such raw materials and then applied the same percentage to the undistorted cost of the same raw materials in order to obtain the undistorted transport cost. The Commission considered that, in the context of this investigation, the ratio between the exporting producer's raw material and the reported transport costs could be reasonably used as an indication to estimate the undistorted transport costs of raw materials when delivered to the company's factory.

#### 3.2.3.4. Labour

(223) The Turkish Statistical Institute publishes detailed information on wages in different economic sectors in Türkiye ([117]). The Commission used the latest available statistics covering 2022 for average labour cost for the economic activity C.16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials) according to NACE Rev.2 classification. The 2022 average monthly value was duly adjusted for inflation using the labour cost index as published by the Turkish Statistical Institute to adapt to the IP (1 July 2023 to 30 June 2024) ([118]).

#### 3.2.3.5. Electricity

(224) The Commission used the electricity price statistics published by the Energy Market Regulatory Authority (EMRA) in its regular press releases. The Commission used the data of the industrial electricity prices in kWh for the industrial sector covering the IP (1 July 2023 to 30 June 2024) ([119]).

([116]) Article 2(7) of the basic Regulation considers that domestic prices in those countries cannot be used for the purpose of determining normal value.

([117]) http://www.turkstat.gov.tr => Press releases => select Labour Cost Statistics.

([118]) TurkStat, Labour Input Indices, Quarter lV: October-December, 2024 (https://data.tuik.gov.tr/Bulten/Index?p=Labour-Input-Indices-Quarter-IV:-October-December,-2024-53685).

([119]) epdk.gov.tr => Press releases => select Electricity Market board decisions.

3.2.3.6. Manufacturing overhead costs, SG & A, profits and depreciation

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

(226) When establishing benchmarks for SG & A and profit, the Commission initially proposed to use financial data of five Turkish companies, which were available in the ORBIS database for a period preceding the IP.

(227) Both Jiangshan Wood and PTIA submitted that the Turkish company Isik Ahsap Profil Lojistik Sanayi Ve Ticaret Anonim Sirketi ('Isik') did not produce plywood but other wood products such as wall panels, flooring made of MDF, chipboards or particleboards, and therefore, that its data should be excluded from the calculations.

(228) Jiangshan Wood further submitted that with respect to the SG & A of Murat Sahin Orman Urunleri Insaat Mimarlik Nakliyat Sanayi Ve Ticaret Limited Sirketi (whose trade name is Tokpan) as well as for Isik, the Commission must deduct an amount for direct selling expenses from the SG & A. The Commission finally used the SG & A and profit data from Turkish statistics because the financial data of the five Turkish companies that were available in the ORBIS database did not overlap with the IP and no recent update of this data was available in ORBIS. As such, the Commission decided to use the Turkish government's data of the average operating expenses and operating profit of the companies published by the Central Bank of Türkiye on the financial results of the 3 121 companies with activities in the sector of wood products, cork, straw and plaiting materials manufacturing (NACE – C-162), which it considered official and reliable. The Commission therefore did not need to address any further the comments of Jiangshan Wood and PTIA concerning the financial data of the five Turkish producers.

(229) On this basis, the SG & A expressed as a percentage of the Costs of Goods Sold ('COGS') and applied to the undistorted costs of production amounted to 16,1 %. The profit expressed as a percentage of the COGS and applied to the undistorted costs of production amounted to 8,4 %.

3.2.3.7. Calculation

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

(231) First, the Commission established the undistorted costs. The Commission applied the undistorted unit costs to the actual consumption of the individual factors of production of the cooperating exporting producer. These consumption rates provided by the cooperating exporting producer were verified during the verification. The Commission multiplied the usage factors by the undistorted costs per unit observed in the representative country, as described in this section.

(232) Once the undistorted manufacturing costs established, the Commission applied to the undistorted costs the manufacturing overheads and depreciation, in order to arrive at the undistorted costs of production.

(233) To the costs of production established as described in the previous recital, the Commission applied the SG & A ([120]) and the profit ([121]) established as described above.

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

([120]) The SG & A was estimated based on the financial statements of one of the unrelated trader in the PRC.
([121]) The profit was based on the average profit of three cooperating importers in the Union.

### 3.3. **Export price**

(235) Jiangshan Wood exported to the Union through unrelated traders in the PRC. Therefore, the export price was the price actually paid or payable by the first unrelated customer (a domestic trader) for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.

### 3.4. **Comparison**

(236) Article 2(10) of the basic Regulation requires the Commission to make a fair comparison between the normal value and the export price at the same level of trade and to make allowances for differences in factors which affect prices and price comparability. In the case at hand the Commission chose to compare the normal value and the export price of Jiangshan Wood at the ex-works level of trade. As further explained below, no adjustments to the ex-works normal value nor the ex-works export price, as reported by Jiangshan Wood, was done.

(237) However, the CIF value established to be used as a denominator for the dumping calculations was based on the ex-works price of Jiangshan Wood to which the Commission added sea freight costs, as well as the SG & A and profit of an unrelated trader. To establish these adjustments to arrive from the ex-works price to the CIF value, the Commission relied on publicly available information (Drewry World Container Index) in case of sea freight ([122]), and on the financial report of one of the unrelated traders provided by Jiangshan Wood. The Commission invited the unrelated traders of Jiangshan Wood to cooperate to provide their actual data on sea freight costs, the SG & A and profit. Since the Commission received a reply from the traders too late to be considered for the provisional findings, the level of these adjustments may change at the definitive stage of the investigation.

#### 3.4.1. *Adjustments made to the normal value*

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

(239) The Commission found no reasons for making any allowances to the normal value, nor were such allowances claimed by the exporting producer.

#### 3.4.2. *Adjustments made to the export price*

(240) Since Jiangshan Wood sold at an ex-works level of trade, no adjustments to the export price were made.

### 3.5. **Dumping margin**

(241) As explained in Section 1.5 of the Regulation, the Commission decided to apply Article 18 of the basic Regulation for the determination of dumping, in accordance with Article 17(4), second paragraph of the basic Regulation, and to grant individual examination to Pizhou Jianghsan Wood Co., Ltd, as the only company that provided a proper and timely questionnaire response that could be verified in accordance with Article 16(1) of the basic Regulation.

(242) To determine the dumping margin for Jiangshan Wood, the Commission compared the weighted average normal value of each type of the like product with the weighted average export price of the corresponding type of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation. On this basis, the provisional weighted average dumping margin expressed as a percentage of the CIF Union frontier price, duty unpaid, is as follows:

([122]) Sea freight was estimated based on Drewery World Containter Index, consulted on 26 March 2025 (https://en.macromicro.me/collections/4356/freight/44756/drewry-world-container-index).

| Company | Provisional dumping margin (%) |
|---|---|
| Pizhou Jiangshan Wood Co., Ltd | 25,1 |

(243) For all other exporting producers, the Commission established the dumping margin on basis of the facts available, in accordance with Article 18 of the basic Regulation.

(244) To this end, the Commission based the dumping margin on a comparison of the weighted average normal value as established for Jiangshan Wood with exports prices as reported in Eurostat. In the Commission's view, those export statistics represented a reasonable proxy for the dumping behaviour of the non-cooperating exporting producers. This was confirmed by analysing the average export prices as reported by the exporting producers that came forward in the sampling exercise, which were in the same range as the Eurostat data.

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

| Company | Provisional dumping margin (%) |
|---|---|
| Pizhou Jiangshan Wood Co., Ltd | 25,1 |
| All other imports originating in the PRC | 62,4 |

## 4. INJURY

### 4.1. Definition of the Union industry and Union production

(246) The like product was manufactured by twenty-six producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.

(247) The total Union production during the investigation period was established at around 1 664 963 cubic meters ($m^3$) or 1 082 031 tonnes. The Commission established the figure on the basis of all the available information concerning the Union industry, such as the complaint and the reply to the macro questionnaire by the European Panel Federation, the association of Union hardwood plywood producers. As indicated in recital (27) of the Regulation, the three sampled Union producers represented 28 % of the total Union production of the like product.

### 4.2. Union consumption

(248) The Commission established the Union consumption on the basis of EU sales and the imports from all countries taking place in that year based on (a) data submitted by the complainant concerning the Union industry's sales of the like product to unrelated customers in the Union, as cross-checked with the sales volumes reported by the sampled Union producers; and (b) imports of the product under investigation from all third countries, as reported in Eurostat.

(249) Union consumption developed as follows:

*Table 2*

**Union consumption (m³)**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Total Union consumption | 3 737 311 | 3 411 779 | 2 536 966 | 2 600 550 |
| *Index* | *100* | *91* | *68* | *70* |

*Source*: Complaint, Union industry, Eurostat.

(250) There was a significant reduction (– 30 %) in the total Union consumption of the product under investigation during the period considered. Between 2021 and 2022, the downward trend was moderate. The decrease of consumption accelerated in 2023 but recovered slightly in the investigation period. The Commission found that the decrease in Union consumption was the result of several factors: the imposition of economic sanctions on imports of wood products, including the product under investigation, originating in Russia and Belarus in July 2022 following Russia's full-scale war of aggression against Ukraine, stockpiling by importers at the beginning of the period considered following the imposition of anti-dumping measures on imports of birch plywood originating in Russia in 2021, and the end of the economic rebound that followed the COVID-19 pandemic. The imposition of economic sanctions led to the exclusion from the Union market of 1,4 million m³ of hardwood plywood originating in Russia ([123]) and Belarus ([124]). The market received a supply shock and contracted because neither the Union industry nor other producing countries could fully replace Russian and Belarusian hardwood plywood. Birch and poplar trees reach the right age for logging after 10 to 40 years. It therefore takes a couple of years to increase the number of trees destined for hardwood production by shifting logs from paper and timber production to plywood (see recital (326)).

### 4.3. **Imports from the country concerned**

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

(251) The Commission established the volume of imports on the basis of Eurostat data. The market share of the imports was established on the basis of the comparison of the volume of imports with the Union consumption.

(252) The Commission found distorted data in the reported statistics at the level of the supplementary unit (m³ in this case). For comparison purposes, the Commission, therefore, decided to convert the reported weight (tonnes), a more reliable and stable set of data, into m³.

(253) The conversion was based on the density, calculated based on weight divided by the supplementary unit, of the panels. If the density was within a predefined density range provided for every HS code, the reported supplementary unit was accepted. If it was outside of the range, the reported density was replaced by the average density of that HS code.

([123]) http://data.europa.eu/eli/reg/2014/833/oj.
([124]) http://data.europa.eu/eli/reg/2006/765/oj.

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

*Table 3*

**Import quantity and market share**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Quantity of imports from the country concerned ($m^3$) | 683 984 | 900 104 | 750 083 | 794 899 |
| *Index* | *100* | *132* | *110* | *116* |
| Market share (%) | 18 | 26 | 30 | 31 |
| *Index (2021=100 %)* | *100* | *144* | *162* | *167* |

*Source*: Eurostat.

(255) Imports of hardwood plywood from China increased overall by 16 % during the period considered. They peaked in the year 2022 with an increase of 32 % compared to the volume of imports in 2021. After a drop in import volume in 2023, the amount of hardwood plywood imported increased again in the investigation period.

(256) One of the reasons for the sharp increase of imports from China was the substitution in the Union market of hardwood plywood originating in Russia and Belarus by Chinese hardwood plywood. The untapped stocks of hardwood plywood built up in China as a result of the slowdown of the Chinese construction industry were quickly mobilized to fill in the gap left by Russian and Belarusian hardwood plywood in the Union market, as explained in recital (250) above.

(257) The market share of Chinese imports on the Union market developed in accordance with the shift in trade flows and decrease in consumption described above. In this context, the increase of Chinese imports led to a rise of their market share by 67 percentage points during the period considered.

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

(258) The Commission established the prices of imports on the basis of EUR/$m^3$ Eurostat statistics, as described in recitals (251) to (253).

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

*Table 4*

**Import prices (EUR/$m^3$)**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| China | 373 | 529 | 438 | 418 |
| *Index* | *100* | *142* | *118* | *112* |

*Source*: Eurostat.

(260) The price of imports from China first surged by 42 % between 2021 and 2022 due to the sudden increase in demand in the Union market after the exclusion of 1,4 million $m^3$ of hardwood plywood from Russia and Belarus due to the economic sanctions and the economic recovery after the COVID pandemic. This increase, however, was of a temporary nature: prices slumped back to levels closely resembling the 2021 price in 2023 and the IP.

(261) The Commission determined the price undercutting during the investigation period by comparing the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level, and the corresponding weighted average prices per product type of the imports from the cooperating producer to the first independent customer on the Union market, established on a CIF basis, with appropriate adjustments for customs duties and post-importation costs.

(262) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period. It showed a weighted average undercutting margin of 46,3 %.

(263) The Commission further noted that, throughout the period considered, the Chinese import prices as reported in Table 4 above, were consistently lower than the Union industry's average unit sales price and average unit production costs as reported below in Table 8.

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

#### 4.4.1. *General remarks*

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

(265) As mentioned in recital (27), sampling was used for the determination of possible injury suffered by the Union industry.

(266) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in the questionnaire reply of the complainant relating to all Union producers, cross-checked where necessary with the questionnaire replies of the sampled Union producers. The Commission evaluated the microeconomic indicators on the basis of data contained in the questionnaire replies from the sampled Union producers. Both sets of data were found to be representative of the economic situation of the Union industry.

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

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

#### 4.4.2. *Macroeconomic indicators*

##### 4.4.2.1. Production, production capacity and capacity utilisation

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

*Table 5*

**Production, production capacity and capacity utilisation**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Production quantity ($m^3$) | 1 872 902 | 1 845 776 | 1 699 086 | 1 664 963 |
| *Index* | *100* | *99* | *91* | *89* |
| Production capacity ($m^3$) | 2 496 000 | 2 496 000 | 2 552 000 | 2 538 000 |
| *Index* | *100* | *100* | *101* | *102* |
| Capacity utilisation (%) | 75 | 74 | 67 | 66 |
| *Index* | *100* | *99* | *90* | *87* |

*Source*: Complainant and sampled Union producers.

(270) The production volume of 1 872 902 $m^3$ of the Union industry in 2021 remained largely stable in the year 2022 with 1 845 776 $m^3$ hardwood plywood manufactured (– 1 %). However, in 2023 and the IP when compared to 2021, there was a sharp 9 % and 11 % decline in EU production, with only 1 664 963 $m^3$ produced from 1 July 2023 to 30 June 2024. The Union industry was unable to benefit from the exclusion of Russian and Belarusian hardwood plywood on the Union market due to the economic sanctions to increase its production volume. To the contrary, it was forced to reduce its production starting in the year 2022 because of the increase of Chinese imports (+ 32 % in 2022, + 10 % in 2023 and + 16 % in the IP) sold at dumped prices. Throughout the period considered the total Union industry's production volume decreased significantly by 11 %.

(271) The development of production capacity, which increased by 2 % during the period considered following investments made by the Union industry, bears witness to the efforts of the Union industry to replace the Russian and Belarusian hardwood plywood excluded by the sanctions from the Union market.

(272) Capacity utilisation at 75 % was already low in 2021 when COVID negatively affected demand. In 2022, the Union industry managed to maintain this level, only to see it fall by 10 % in 2023 and 13 % in the IP, when compared to the 2021 level.

4.4.2.2. Sales quantity and market share

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

*Table 6*

**Sales quantity and market share**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Total sales quantity on the Union market ($m^3$) | 1 355 645 | 1 294 971 | 1 167 185 | 1 190 402 |
| *Index* | *100* | *96* | *86* | *88* |

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Market share (%) | 38 | 38 | 46 | 46 |
| *Index* | *100* | *105* | *127* | *126* |

*Source:* Complainant, sampled Union producers and Eurostat.

(274) Sales quantity on the EU market by the Union industry followed a downward trend between 2021 and 2023 before slightly picking up in the investigation period. Throughout the period considered, the total Union industry's sales quantity decreased significantly by 12 %.

(275) The declining sales of the Union industry are commensurate with its declining production quantity.

(276) The market share of the Union industry was 38 % in 2021, which is when Russian and Belarusian hardwood plywood was still imported into the Union. The market share of the Union industry increased during the period considered. However, this increase should be viewed in the context of the overall significant decrease in the size of the market (– 30 % due to the exclusion of Russian and Belarusian hardwood plywood products from the Union market, as explained in recital (250) above). As such, despite the declining sales quantity of the Union industry during the period the considered, its market share rose to 46 % in 2023 and the investigation period.

(277) The 26 percentage points increase of the market share of the Union industry should also be seen in light of the two-third increase (67 %) of the market share of Chinese producers rising from 18 % to 31 % during the period considered, as shown in recital (254).

#### 4.4.2.3. Growth

(278) Whereas the market share of the Union industry increased during the period considered, the evolution of production and sales volume, both in absolute and relative terms, took a downward trend over the period considered. As shown below in recital (280), employment also slightly deteriorated.

#### 4.4.2.4. Employment and productivity

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

*Table 7*

**Employment and productivity**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Number of employees (FTE) | 11 308 | 11 367 | 11 179 | 11 101 |
| *Index* | *100* | *101* | *99* | *98* |
| Productivity ($m^3$/ employee) | 166 | 162 | 152 | 150 |
| *Index* | *100* | *98* | *92* | *91* |

*Source*: Complainant and sampled Union producers.

(280) Throughout the period considered, the level of employment in the Union industry decreased by 2 %. In 2022, there was an increase of 1 % compared to the previous year. In 2023 and the investigation period, however, the level of employment decreased by 1 % and 2 %, respectively.

(281) The relatively stable level of employment between 2021 and the end of the IP was due to the reluctance of the Union industry to downsize its highly trained workforce. As also shown in the evolution of the production capacity, as set out in recital (271), the Union industry was aware that there is continued demand for its product in the Union, but suffered price pressure from Chinese imports, as explained in more detail below in recital (288), which prevented it from raising output and sales.

(282) As a result of the decrease in production, as shown in recital (270), and the relatively stable level of employment, as presented in recital (280), the productivity of the Union industry's workforce, measured in $m^3$ per employee produced per year, decreased by 9 % over the period considered.

#### 4.4.2.5. Magnitude of the dumping margin and recovery from past dumping

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

(284) This is the first anti-dumping investigation regarding the product concerned. Anti-dumping measures ranging from 14,4 to 15,8 % were imposed in November 2021 on imports of birch plywood originating in Russia ([125]). Birch plywood falls within the scope of the product under investigation.

### 4.4.3. *Microeconomic indicators*

#### 4.4.3.1. Prices and factors affecting prices

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

*Table 8*

**Sales prices in the Union**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Average unit sales price in the Union on the total market (EUR/ $m^3$) | 726 | 1 084 | 1 112 | 1 023 |
| *Index* | *100* | *149* | *153* | *141* |
| Unit cost of production (EUR/$m^3$) | 685 | 976 | 1 078 | 1 074 |
| *Index* | *100* | *143* | *157* | *157* |

*Source:* Sampled Union producers.

(286) Sales prices in the Union market increased by 41 % during the period considered. Such increase was driven by a strong rise of the costs of raw materials, especially logs, as explained below in recital (287). The increase of EU prices in 2022 and 2023 in view of the post-COVID economic boom was even sharper, at 49 % and 53 %, respectively. In the investigation period, sales prices dropped by 12 % compared to their peak in 2023.

([125]) See footnote 10.

(287) The unit cost of production of the Union industry increased significantly during the period considered. It first rose by 43 % in 2022 when compared to 2021 and it increased further in 2023 and the investigation period, reflecting a 57 % increase of the unit cost of production when compared to 2021. The main driver of the cost increase was an upward trend in wood log prices, doubling in certain areas of the Union.

(288) In 2022, the Union industry was able to increase its sales prices significantly to match the sharp increase in unit costs. However, as of 2023 and during the investigation period, the Union industry was unable to pass on the further cost increase to consumers by raising prices accordingly due to the price pressure caused by Chinese imports. The Union industry was forced to maintain a certain price level in order not to lose a certain level of sales, which, considering the decrease in consumption, translated into the Union industry being able to increase its market share on the Union market, as explained in recital (257).

#### 4.4.3.2. Labour costs

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

*Table 9*

**Average labour costs per employee**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Average labour costs per employee (EUR/FTE) | 32 992 | 35 885 | 35 408 | 38 671 |
| *Index* | *100* | *109* | *107* | *117* |

*Source*: Sampled Union producers.

(290) During the period concerned, labour costs rose by 17 %. Labour costs first rose by 9 % in 2022 before decreasing slightly in 2023. In the investigation period, labour cost increased again as a consequence of the restructuring of some Union producers.

#### 4.4.3.3. Inventories

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

*Table 10*

**Stocks**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Closing stock ($m^3$) | 32 504 | 47 952 | 42 609 | 40 504 |
| *Index* | *100* | *148* | *131* | *125* |
| Closing stock as a percentage of production (%) | 1,74 | 2,60 | 2,51 | 2,43 |

*Source:* Sampled Union producers.

(292) During the period considered, stock levels increased by 25 %. In 2022, there was a sharp rise by 48 % in closing stocks when the Union industry tried to substitute some of the excluded Russian and Belarusian hardwood plywood, only to see its efforts undermined by an increase of low-priced imports from China. Inventory levels subsequently decreased but still remained well above the closing stock levels of 2021 in 2023 and the investigation period.

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

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

*Table 11*

**Profitability, cash flow, investments and return on investments**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Profitability of sales in the Union to unrelated customers (% of sales turnover) | 7 | 12 | 4 | – 2 |
| *Index* | *100* | *187* | *57* | *– 37* |
| Cash flow (EUR) | 36 169 036 | 40 537 498 | 26 041 480 | – 2 993 860 |
| *Index* | *100* | *112* | *72* | *– 8* |
| Investments (EUR) | 22 388 097 | 21 166 045 | 14 321 929 | 15 499 246 |
| *Index* | *100* | *95* | *64* | *69* |
| Return on investments (%) | 7 | 16 | 2 | – 5 |
| *Index* | *100* | *217* | *32* | *– 62* |

*Source*: Sampled Union producers.

(294) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. The increase by 49 % of EU sales prices in 2022 together with a 43 % increase in the cost of production, as explained in recitals (285) to (288) above, resulted in higher levels of profitability in that year. This increase was, however, temporary, as profitability subsequently dropped to the negative domain in the investigation period as the cost of production continued to rise (57 %) but could not be matched by a corresponding price increase (41 %). In other words, the Union industry significantly decreased its market share in 2023 and became loss-making during the investigation period as it was unable to increase its sales prices to cover the increased cost of production. The evidence, therefore, pointed to the existence of price suppression in 2023 and the IP.

(295) The net cash flow is the ability of the Union producers to self-finance their activities. The trend in net cash flow followed that of profitability whereby the situation deteriorated after 2022 from a positive to negative cash flow situation.

(296) Investments by the Union industry decreased by 31 % during the period considered. These investments consisted mainly of the modernisation of the production equipment of Union producers.

(297) The return on investments is the profit in percentage of the net book value of investments. It rose sharply in the year 2022, in the aftermath of the COVID-19 pandemic when the Union industry was able to raise prices but decreased in 2023 and became negative in the investigation period.

(298) Considering the deterioration of various indicators such as production, sales, profitability and return on investment, the sampled Union producers' ability to raise capital also deteriorated during the period considered.

### 4.5. **Conclusion on injury**

(299) Consumption of hardwood plywood on the Union market decreased by 30 % in the period considered as a consequence of various factors, such as the economic sanctions imposed on imports of the product under investigation originating in Russia and Belarus, the release to the Union market of the Russian imports stock-piled in 2021 that were not recorded as consumption in 2022 and in the subsequent years, and the end of the post COVID-19 economic rebound. In this context, the quantity of hardwood plywood imported from China increased significantly in the period considered in both absolute and relative terms.

(300) In the investigation period, Chinese import quantities rose to 16 % above their 2021 level. Their market share increased from 18 % in 2021 to 31 % in the investigation period (+ 67 %). The price of imports from China initially increased by 42 % in 2022 when compared to 2021, before continuously decreasing afterwards. In the IP, the price of imports from China was 12 % above the 2021 level, which was in sharp contrast with the evolution of the Union industry's or other third countries' price in the Union, that increased significantly (+ 41 % and + 34 %, respectively) in the same period.

(301) Most macro-indicators and micro-indicators deteriorated during the period considered. The sales quantity, production quantity and capacity utilisation of the Union industry decreased by respectively – 12 %, – 11 % and – 13 % during the period considered. In a context of decreasing consumption (– 30 %), the Union industry increased its market share by 8 percentage points to 46 %, as its sales decreased less than the decrease in consumption. The increase of market share by the Union industry should also be viewed in the context of Chinese imports also significantly increasing their market share in the Union market. Further, following the decrease in sales of Union producers, stocks increased by 25 %, having a negative effect on their cash-flow. The production capacity of the Union industry rose slightly by 2 % during the period considered but at the same time investments decreased by – 31 %. Employment decreased by – 2 % over the period considered.

(302) Whereas the average EU sales price increased by 41 % over the period considered, the unit production costs increased far more (+ 57 %) over the same period. Starting in 2023, the Union industry was unable to raise its sales prices to cover this increasing cost of production due to the price pressure from Chinese imports, so that the Union industry went from a profit-making situation in 2021 and 2022, to a significantly reduced profit in 2023 and to suffering losses in the investigation period (– 2 %). Labour costs also showed a deterioration with an increase by 17 % as a consequence of the restructuring that some Union producers went through. The net cash flow and the return of investment of the Union industry followed the profitability trend by turning negative in the investigation period.

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

## 5. **CAUSATION**

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

### 5.1. **Effects of the dumped imports**

(305) The deterioration of the economic situation of the Union industry coincided with increasing market penetration of imports of hardwood plywood originating in China, which consistently undercut the Union industry's prices, as Chinese prices remained consistently lower than the average unit sales prices of the Union industry throughout the period considered and the undercutting margin found was as high as 46,3 %. The influx of low priced Chinese imports lead to price suppression in 2023 and the IP, as explained in recital (255), that also prevented the Union industry from replacing in the same period part of the birch plywood from Russia and Belarus banned from the Union market in 2022. The evolution of import volumes and prices, as reflected in Tables 3 and 4 above, demonstrated that price levels of the Union industry were suppressed, see Table 8, thereby establishing a causal link between the Chinese imports and the material injury suffered by the Union industry.

(306) Imports from China increased by 16 % during the period considered, from 683 984 $m^3$ in 2021 to 794 899 $m^3$ in the investigation period, representing a market share of 31 %. These imports were made at prices significantly lower than those of the Union industry throughout the period considered. These low-priced imports in increasing volumes prevented the Union industry from raising its prices in line with the increase in the cost of production.

(307) In a situation of increasing costs and the price pressure exerted by Chinese dumped imports, the Union industry was unable to set sustainable prices, resulting in a strong drop in profitability, from a positive margin of 7 % in 2021 and of 12 % in 2022, to a significantly lower margin of 4 % in 2023 and a loss of – 2 % in the investigation period. The Union industry faced in 2023 and the IP a further increase in costs, whereas the prices of Chinese imports even further dropped, by almost 20 % in 2023 compared to 2022, and in the IP even went further down. Other financial indicators, such as cash flow and return on investment, also turned negative in the investigation period.

(308) It was, therefore, provisionally concluded that dumped imports of hardwood plywood from China caused material injury to the Union industry in terms of price and volume.

### 5.2. **Effects of other factors**

#### 5.2.1. *Imports from third countries*

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

*Table 12*

**Imports from third countries**

| Country | | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|---|
| Russian Federation | Quantity ($m^3$) | 1 170 940 | 602 859 | 134 | 0 |
| | *Index* | *100* | *51* | *0* | *0* |
| | Market share (%) | 31 | 18 | 0 | 0 |
| | Average price (EUR/$m^3$) | 524 | 703 | 793 | 0 |
| | *Index* | *100* | *134* | *151* | *0* |

| Country | | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|---|
| Belarus | Quantity ($m^3$) | 194 609 | 117 361 | 40 | 0 |
| | *Index* | *100* | *60* | *0* | *0* |
| | Market share (%) | 5 | 3 | 0 | 0 |
| | Average price (EUR/$m^3$) | 431 | 532 | 381 | 0 |
| | *Index* | *100* | *123* | *88* | *0* |
| Kazakhstan | Quantity ($m^3$) | 0 | 31 108 | 143 490 | 113 501 |
| | *Index* | *0* | *100* | *461* | *365* |
| | Market share (%) | 0 | 1 | 6 | 4 |
| | Average price (EUR/$m^3$) | 0 | 685 | 606 | 562 |
| | *Index* | *0* | *100* | *88* | *82* |
| Other third countries | Quantity ($m^3$) | 332 132 | 465 376 | 476 034 | 501 747 |
| | *Index* | *100* | *140* | *143* | *151* |
| | Market share (%) | 9 | 14 | 19 | 19 |
| | Average price (EUR/$m^3$) | 719 | 951 | 848 | 782 |
| | *Index* | *100* | *132* | *118* | *109* |
| All third countries excluding China | Quantity ($m^3$) | 1 697 681 | 1 216 704 | 619 698 | 615 248 |
| | *Index* | *100* | *72* | *37* | *36* |
| | Market share (%) | 45 | 36 | 24 | 24 |
| | Average price (EUR/$m^3$) | 552 | 781 | 792 | 741 |
| | *Index* | *100* | *141* | *143* | *134* |

*Source:* Eurostat.

(310) With the exclusion of Russian and Belarusian hardwood plywood from the Union market in 2022, imports from other sources only represented approximately 63 % of the volume imported from China. In absolute terms, there was a slight decrease in import volumes from 2023 to the investigation period from these sources. Accordingly, the market share of imports from countries other than China, Russia and Belarus in the investigation period remained significantly below the 31 % market share of Chinese producers.

(311) Imports from countries other than China, Russia and Belarus were sold at prices that are almost twice the price of imports from China. In the investigation period, the average price of imports from China was 56 % of the average price of imports from countries other than China, Russia and Belarus.

(312) Based on the limited volume, steady market share and high price of imports from other sources than China, Russia and Belarus, the Commission provisionally concluded that the impact of third country imports did not attenuate the causal link between dumped Chinese imports and the material injury suffered by Union producers.

5.2.2. *Export performance of the Union industry*

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

*Table 13*

**Export performance of the sampled Union producers**

| | 2021 | 2022 | 2023 | Investigation period |
|---|---|---|---|---|
| Export volume ($m^3$) | 408 876 | 258 316 | 293 481 | 295 536 |
| *Index* | *100* | *63* | *72* | *72* |
| Average price (EUR/$m^3$) | 733 | 1 103 | 1 135 | 1 085 |
| *Index* | *100* | *150* | *155* | *148* |

*Source*: Eurostat and sampled Union producers.

(314) The Union industry experienced a drop of – 37 % in export volumes in 2022 when compared to 2021, likely linked to the unexpected availability on the international market of Russian and Belarusian plywood following the imposition of EU economic sanctions resulting in the prohibition of selling these products on the Union market. The diversion of these volumes continued depressing export sales of the Union industry in 2023 and the investigation period. In the period considered, export sales decreased from 28 % of the total sales volume sold by the Union industry to 23 %, or by 113 340 $m^3$ in absolute numbers.

(315) As shown in recitals (259), (286) and (309), in 2022, there was an increase of approximately 35-50 % in world market prices. EU export prices generally followed the same trend as prices charged in the EU. The Union industry was able to raise export prices to 150 % of the 2021 level in 2022, but prices slumped to 148 % in the IP.

(316) The impact of the negative evolution in export volumes was mitigated by their low absolute quantity (295 536 $m^3$ in the IP) and share of total sales of the Union industry (18,6 % in the IP), coupled with the increase in average export prices over the period considered. The Commission provisionally concluded that the export performance did not attenuate the causal link between the dumped imports and the material injury suffered by the Union industry.

5.3. **Consumption**

(317) The Commission found that the exclusion from the Union market of imports of hardwood plywood originating in Russia and Belarus in 2022 had a major impact on EU consumption. In 2021, the year before the imposition of economic sanctions concerning certain wood products from Russia and Belarus, these countries exported 1 365 549 $m^3$ of hardwood plywood to the Union market, accounting for a combined market share on the Union market of 36 %. By 2023, the first full year when sanctions applied, the volume of their combined imports of hardwood plywood into the Union was reduced to 174 $m^3$ (or 0 % market share).

(318) There were movements in the market that compensated for the exclusion of Russian and Belarusian hardwood plywood. In particular, the circumvention of the anti-dumping and sanctions measures through Kazakhstan of 143 490 $m^3$ and 113 501 $m^3$ of hardwood plywood in 2023 and the investigation period, respectively; the increase of imports from other third countries by 169 615 $m^3$ and finally the increase by 110 916 $m^3$ of Chinese imports in the investigation period. Nevertheless, Union consumption contracted by 30 % in the IP.

(319) The Commission examined the reasons why the majority of the excluded Russian and Belarusian plywood was not substituted immediately or in the short term by the Union industry, claiming a spare capacity of 873 037 $m^3$ in the investigation period, or by imports from other countries.

(320) As far as the Union industry is concerned the lack of immediate availability of the main raw material, logs, that is a general feature of this industry relying on an input material that is not widely traded, imposed a limit on a sudden increase of production. In addition, the Union industry produced to order and not to stock. Therefore, it did not have large quantities of hardwood plywood that could be immediately mobilized once the economic sanctions drove Russian and Belarusian hardwood plywood out of the Union market. In the medium term, the Union industry has the capacity both in terms of production and raw materials to replace the majority of the volumes excluded from the market provided that the level playing field is restored.

(321) The reaction of Chinese and other third country producers to the imposition of economic sanctions in the EU was swifter. Imports from China and the rest of the world, except Russia and Belarus, immediately increased by 32 % and 49 %, in 2022, respectively. Nevertheless, the combined increase in imports from China and the rest of the world was only 353 491 $m^3$ in 2023. The increase in imports could not compensate for the exclusion of 1 427 973 $m^3$ of Russian and Belarusian hardwood plywood.

(322) The Commission provisionally concluded that the decrease in consumption did not attenuate the causal link between the dumped imports and the material injury suffered by the Union industry.

5.3.1. *Alleged decrease of demand in the Union market*

(323) PTIA claimed that the reason for the drop in Union consumption after 2022 is not the imposition of economic sanctions on Russian and Belarusian hardwood plywood, but rather a collapse of demand due to a slowdown of the Union construction industry. They argued that the inability of the EU hardwood plywood industry to fill in the gap left by the excluded Russian and Belarusian plywood demonstrated that there was a drop of demand in the EU market rather than a contraction of supply. This drop of demand allegedly was the main cause of the injury to the Union industry.

(324) The Commission considered that the Union construction sector experienced a post-Covid peak in the years 2021 and 2022, followed by a slowdown. However, production and sales of the Union industry decreased significantly less (– 12 % and – 11 %, respectively in 2023 and the IP) than the decrease of consumption (– 30 %), showing that even in a contracting market, the Union industry managed to continue producing and selling significant quantities, even though the pressure from Chinese manufacturers, continuously increasing their import volumes at significantly lower prices, was increasingly felt and causing material injury.

(325) In addition, the circumvention of the anti-dumping measures and the economic sanctions restrictions concerning hardwood plywood originating in Russia and Belarus via Kazakhstan and Türkiye ([126]) showed that demand in the Union market was still high. In fact, the situation of the Union market can be best described as a contraction of supply rather than that of demand.

(326) The Commission found that the lack of immediate availability of increased amounts of birch and poplar logs, see recital (320), the main raw material of hardwood plywood in the EU, resulted in turn in a lack of immediate availability of hardwood plywood itself, thus constituting a contraction of supply and therefore creating a decrease in overall Union consumption. The Commission considered the issues linked to the unavailability of logs to be entirely physiological and one of the general features of the plywood industry. More specifically, trees that are of the right age for hardwood plywood production are planted 10-40 years before they can be logged. Hardwood plywood manufacturers own plantations or buy from long-term suppliers with multiyear contracts, although in some markets in the Union auctions are also common. This bottleneck in raw material supply did not allow for an immediate switch to significantly higher production volumes of hardwood plywood. A gradual shift in the medium term from logs destined for paper and timber production to plywood is, however, possible if the Union hardwood plywood industry is able to charge fair market prices. In addition, so called reserve plantations that are mature but were not harvested for environmental reasons, e.g. soil retention, can also be logged.

(327) It was found that Chinese hardwood plywood suppliers were the only ones that could increase significantly their sales volumes in 2022-2023 because they had large stocks due to a slowdown of the Chinese construction sector starting in 2021. In the medium term, EU producers were prevented by these imports from increasing their production volumes.

(328) In view of the above, the Commission rejected the claim and considered that the inability of the Union industry to replace banned Russian and Belarusian hardwood plywood was due to an increase of dumped Chinese imports and the lack of immediately usable logs. The drop in consumption starting in 2022, peaking in 2023 and slightly recovering in the IP, represented a missed opportunity for the Union industry and was potentially a contributing factor to the injury suffered, without, however, attenuating the causal link with dumped Chinese imports. Such imports during the period considered characterized by a contracting Union market, strongly increased in volume and decreased in price despite of a general increase in costs experienced by the Union industry (see recital (287)).

5.3.2. *Energy crisis*

(329) PTIA submitted that the energy crisis in the EU as a result of Russia's invasion of Ukraine was a decisive factor in the increase of the costs of production of the Union industry.

(330) The Commission found that the energy crisis had only a limited impact on the hardwood plywood industry. Sampled Union producers generated their own energy fuelled by biomass (chips, bark, sawdust, faulty veneers). While not immune to the rise of energy prices, also linked to rising transport prices, the Union industry was relatively well shielded from the energy crisis.

(331) The Commission therefore rejected the claim and provisionally concluded that high energy prices did not attenuate the causal link between the dumped Chinese imports and the material injury.

([126]) Commission Implementing Regulation (EU) 2024/1287 of 13 May 2024 extending the definitive anti-dumping duty imposed by Implementing Regulation (EU) 2021/1930 on imports of birch plywood originating in Russia to imports of birch plywood consigned from Türkiye and Kazakhstan, whether declared as originating in Türkiye and Kazakhstan or not (OJ L, 2024/1287, 14.5.2024, ELI: http://data.europa.eu/eli/reg_impl/2024/1287/oj).

### 5.4. **Conclusion on causation**

(332) The Commission provisionally established a causal link between the material injury suffered by the Union industry and the dumped imports from China. As a result of the increase of the volume of dumped imports from China at declining prices, the Union industry faced a 57 % increase in its production costs, as evidenced in recital (287), which precluded it from setting sustainable prices resulting in a strong deterioration of its economic situation. Chinese imports led to negative price effects for the Union industry. The Commission found significant undercutting caused by Chinese imports. The Commission further found significant price suppression in 2023 and the IP. Profitability of the Union industry dropped from 7 % to a loss of – 2 % in the investigation period, cash flow and return on investment also turned negative in the IP.

(333) The Commission distinguished and separated the effects of other known factors on the Union industry from the injurious effects of the dumped imports. The Commission provisionally considered that imports from third countries other than China, due to their limited volumes and relatively high price, did not attenuate the causal link between imports from China and the material injury suffered by the Union industry. The Commission further provisionally concluded that the decline in export sales and in consumption on the Union market did not contribute significantly and directly to the material injury suffered by the Union industry. By the same token, the Commission thoroughly explained in Section 5.3.1 above that the temporary unavailability of logs, while potentially being a contributing factor to the injury suffered, it did not however attenuate the causal link between Chinese dumped imports and the material injury.

(334) On the basis of the above, the Commission concluded at this stage that the dumped imports from China caused material injury to the Union industry and that the other factors, considered individually and collectively, did not weaken the causal link between the dumped imports and the material injury. The injury consists of decreasing production, sales, productivity, prices, capacity utilisation, profitability, cash flow and return on investment, as well as rising labour costs and stocks.

## 6. **LEVEL OF MEASURES**

(335) In the present case, the complainants claimed the existence of raw material distortions within the meaning of Article 7(2a) of the basic Regulation. Thus, in order to conduct the assessment on the appropriate level of measures, the Commission first established the amount of duty necessary to eliminate the injury suffered by the Union industry in the absence of distortions under Article 7(2a) of the basic Regulation. Then it examined whether the dumping margin of the sampled exporting producers would be higher than their injury margin, see recitals (346) to (348) below.

### 6.1. **Injury margin**

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

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

(338) In this regard, the complainant considered that a reasonable target profit should range between 10 % and 15 %.

(339) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition. With regard to the level of profitability before the increase of imports from the countries concerned, it was not possible to establish a profit margin on the basis of any of the years immediately prior to the increase of dumped imports from the country concerned, as in those years the Union industry suffered an influx of dumped imports from other origins. Also, the years 2021 and 2022 were found to be heavily influenced by the post COVID-19 economic recovery and did not appear appropriate to set the target profit. Therefore, none of these years could qualify as a year with a normal competitive situation on the Union market. Thus, the Commission considered more appropriate to use the profitability level of 13,43 % reached in 2017.

(340) The Union industry provided evidence that its level of investments, R&D and IRI during the period considered would have been higher under normal conditions of competition. The Commission verified this information during the on-spot verification visits by checking the company's internal records relating to investment plans, management decisions and financial statements and found the claims warranted. To reflect this in the target profit, the Commission calculated the difference between investments, R&D and IRI expenses under normal conditions of competition, as provided by the Union industry and verified by the Commission, with corresponding actual expenses over the period considered. The difference, expressed as a percentage of turnover, was between 0,07 % and 1,18 % depending on the sampled producers.

(341) Such percentage was added to the basic profit of 13,4 %, mentioned in recital (339), leading to a target profit of 13,5 % and 14,6 %, depending on the situation of the sampled producers.

(342) In accordance with Article 7(2d) of the basic Regulation, as a final step, the Commission assessed the future costs resulting from Multilateral Environmental Agreements, and protocols thereunder, to which the Union is a party, and of ILO Conventions listed in Annex Ia of the basic Regulation that the Union industry will incur during the period of the application of the measure pursuant to Article 11(2). Based on the submitted information, which was supported by the companies' reporting tools and forecasts, the Commission established an additional cost in a range between EUR 1,06/$m^3$ and EUR 5,55/$m^3$, in comparison with the cost of compliance with such conventions during the investigation period. This additional cost was added to the non-injurious price.

(343) On this basis, the Commission calculated a non-injurious price per $m^3$ for the like product of the Union industry by applying the above-mentioned target profit margin (see recital (341)) to the cost of production of the sampled Union producers during the investigation period and then adding the adjustments under Article 7(2d) on a type-by-type basis.

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

(345) The injury elimination level for 'all other imports originating in the country concerned' is defined in the same manner as the dumping margin for these companies.

| Country | Company | Dumping margin (%) | Injury margin (%) |
|---|---|---|---|
| The People's Republic of China | Pizhou Jiangshan Wood Co., Ltd | 25,1 | 144,3 |
| The People's Republic of China | All other imports originating in the PRC | 62,4 | 192,7 |

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

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

(347) However, as the margins adequate to remove injury were higher than the dumping margins, the Commission considered that, at this stage, it was not necessary to address this aspect.

(348) Following the above assessment the Commission concluded that it is appropriate to determine the amount of provisional duties in accordance with Article 7(2) of the basic Regulation.

### 6.3. Conclusion on the level of measures

(349) Following the above assessment, provisional anti-dumping duties should be set as below in accordance with Article 7(2) of the basic Regulation:

| Country | Company | Provisional anti-dumping duty (%) |
|---|---|---|
| The People's Republic of China | Pizhou Jiangshan Wood Co., Ltd | 25,1 |
| The People's Republic of China | All other imports originating in the PRC | 62,4 |

## 7. UNION INTEREST

(350) Having decided to apply Article 7(2) of the basic Regulation, the Commission examined whether it could clearly conclude that it was not in the Union interest to adopt measures in this case, despite the determination of injurious dumping, in accordance with Article 21 of the basic Regulation. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers, wholesalers, retailers and users.

### 7.1. Interest of the Union industry

(351) The Union industry is composed of around twenty-six companies. They are located in Austria, Bulgaria, Czechia, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden, employing approximately 40 000 workers directly and indirectly. The hardwood plywood industry mostly provides jobs in rural areas. The majority of Union producers, seventeen companies in total, supported the complaint and none opposed the initiation of the investigation.

(352) The current level of profitability of the Union industry is unsustainable. The imposition of measures is expected to allow the Union industry to raise sales prices and regain its profitability.

(353) The absence of measures is likely to have a significant negative effect on the Union industry in terms of further price suppression and a further reduction of sales, leading to more losses, the closure of production facilities and dismissals.

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

### 7.2. Interest of unrelated importers

(355) Fifty-two importers registered as interested parties and a number of submissions and comments were received from some of them. Nineteen importers formed the PTIA, an ad hoc alliance of Union importers. As mentioned in recital (29), the Commission selected a sample of three importers. Two of the sampled importers submitted a full questionnaire reply and one importer submitted a partial questionnaire reply.

(356) Several importers argued that the Union industry lacks the capacity to meet demand in the Union, alleging that the measures would create a shortage in the market. Importers also claimed that the higher prices resulting from the possible imposition of high anti-dumping duties cannot be passed on to customers and will drive them out of the market. In addition, claims were raised concerning the lack of interest of Union producers in supplying certain types of hardwood plywood.

(357) Concerning the risk of a shortage of hardwood plywood in the Union market as a consequence of the measures, the Commission considered that this risk is limited. First, the Union industry has the capacity to increase production. Second, there are many other sources of supply other than China. Finally, Chinese exporting producers can continue exporting to the Union at fair prices.

(358) Hardwood plywood imported from China is a significant and profitable component of the product offer of importers, together with hardwood plywood imported from countries other than China. The imposition of the measures may change the product mix offered by importers and traders by increasing the share of non-Chinese origin hardwood plywood, but it is unlikely that the imposition of measures will cause a complete halt of imports from China.

(359) The investigation found that the Union industry is willing and capable to supply all segments of the Union market, but currently is unable to do so as it has been priced out of certain market segments by dumped Chinese imports. Certain types of hardwood plywood panels are imported at prices that are so unfairly low that they are below the cost of production of Union manufacturers.

(360) In conclusion, the anti-dumping measures at the level established above may affect negatively certain unrelated importers. Such an impact should not be significant overall because of the availability of alternative sources of hardwood plywood to China, and the importers' ability to pass on at least part of the increase in costs to their customers. Based on their questionnaire replies, the sampled importers achieved healthy levels of profitability in the IP.

(361) On the basis of the above, the Commission provisionally established that any negative impact of the measures on unrelated importers as a whole is expected to be limited and will not outweigh the positive effect of measures on Union producers.

### 7.3. Interest of users and suppliers

(362) One user and an association of users, as well as two suppliers, wholesalers/retailers, registered as interested parties. One user, Bouwmaat, submitted a partial questionnaire reply. No specific claims were raised by users but PTIA, the association of importers and traders, provided observations relating to the Union interest part of the complaint arguing against the imposition of high duties from the point of view of end-users, too.

(363) The imposition of measures are likely to have an impact on users, however, the Commission at this stage lacked data from users, as the only partial questionnaire reply received did not allow the Commission to analyse in detail the impact of the measures.

(364) The Commission assessed the likely impact on users of the measures and provisionally found that for most industrial users the cost of hardwood plywood panels used in their core activity, e.g. formwork for construction, is not very significant in relation to its total costs. The same applies to the transport sector, e.g. the cost of thin hardwood plywood used for furnishing the interior of a recreational vehicle or a ship, is negligible compared to its total price. Accordingly, the impact on most industrial users, accounting for more than 60 % of end customers, and their suppliers will be limited. Non-industrial users and their suppliers will be affected more by the expected price increase. Users in the furniture, cabinet-making and musical instrument industry will also bear some impact, although hardwood plywood is generally used for high end products selling for a premium price, thereby reducing the importance the cost of raw material. The Commission found that any negative impact of the measures on users will not outweigh the positive effect of measures on Union producers.

### 7.4. **Conclusion on Union interest**

(365) On the basis of the above, the Commission concluded that there were no compelling reasons to rule that it was clearly not in the Union interest to impose measures on imports of hardwood plywood originating in China at this stage of the investigation.

## 8. **PROVISIONAL ANTI-DUMPING MEASURES**

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

(367) Provisional anti-dumping measures should be imposed on imports of product originating in the country concerned, in accordance Article 7(2a) of the basic Regulation. The Commission concluded in recital (349) that the appropriate level to remove injury should be the dumping margin.

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

| Country | Company | Provisional anti-dumping duty (%) |
|---|---|---|
| The People's Republic of China | Pizhou Jiangshan Wood Co., Ltd. | 25,1 |
| The People's Republic of China | All other imports originating in the PRC | 62,4 |

(369) The individual company anti-dumping duty rate specified in this Regulation was established on the basis of the findings of this investigation. Therefore, it reflects the situation found during this investigation with respect to this company. This duty rate is exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entity. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to that specifically mentioned, should be subject to the duty rate applicable to 'all other imports originating in the PRC'. They should not be subject to any of the individual anti-dumping duty rates.

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

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

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

## 9. **REGISTRATION**

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

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

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

## 10. **INFORMATION AT PROVISIONAL STAGE**

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

(377) The Commission received comments from China National Forest Products Industry Association and several Chinese exporting producers. The parties requested, amongst others, the Commission to disclose the calculations and the methodology for establishing the dumping margin for 'All other imports'.

(378) The Commission disagreed. The purpose of the information provided at the provisional stage was to allow interested parties to comment on the accuracy of the calculations, and not on the methodology. The methodology to establish the duty rate for 'All other imports' is explained in Section 3.5 of the Regulation, and interested parties were invited to comment, as set out in Article 2(1) below. The actual calculations that were based on the normal value of Jiangshan Wood could, however, not be disclosed without revealing confidential data of the company. Therefore, the Commission rejected the claim.

(379) No other comments were received.

## 11. **FINAL PROVISIONS**

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

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

(382) The complainant has pointed to alleged circumvention practices already at the stage of registration of imports of the product concerned ([127]). This alleged practice consisted of placing very thin outer layers of softwood veneer on top of the hardwood plywood face veneer. Such practice makes the product fall under customs codes which are not subject to registration, without altering its essential characteristics. Consequently, to minimise the risk of circumvention, the Commission considered appropriate to monitor such imports. Therefore, separate TARIC codes should be created for imports of such products within CN codes 4412 10 00 and 4412 39 00. Information collected when monitoring such imports could also be used to initiate an anti-circumvention investigation under Article 13 of Regulation (EU) 2016/1036,

HAS ADOPTED THIS REGULATION:

*Article 1*

1. A provisional anti-dumping duty is imposed on imports of plywood consisting solely of sheets of wood other than bamboo and okoumé, each ply not exceeding 6 mm thickness, with at least one outer ply of tropical wood or non-coniferous wood, of species specified under subheadings 4412 31, 4412 33 and 4412 34, whether or not coated or surface-covered, currently falling under CN and TARIC codes 4412 31 10 80, 4412 31 90 00, 4412 33 10 12, 4412 33 10 22, 4412 33 10 82, 4412 33 20 10, 4412 33 30 10, 4412 33 90 10, and 4412 34 00 10, and originating in the People's Republic of China.

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

| Country of origin | Company | Provisional anti-dumping duty (%) | TARIC additional code |
|---|---|---|---|
| The People's Republic of China | Pizhou Jiangshan Wood Co., Ltd | 25,1 | 89MK |
| The People's Republic of China | All other imports originating in the PRC | 62,4 | 8999 |

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

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

5. Imports of plywood with both outer plies made of coniferous wood or bamboo and with a core containing plies of species specified under subheadings 4412 31, 4412 33 and 4412 34, whether coated or surface covered or not, currently falling under CN codes ex 4412 10 00 and ex 4412 39 00 (TARIC codes 4412 10 00 10 and 4412 39 00 20) shall be monitored by the Commission.

([127]) See footnote 3.

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

*Article 2*

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

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

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

*Article 3*

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Implementing Regulation (EU) 2024/3140.

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

*Article 4*

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

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

Done at Brussels, 6 June 2025.

*For the Commission*
*The President*
Ursula VON DER LEYEN