



2025/1737

14.8.2025

**COMMISSION IMPLEMENTING REGULATION (EU) 2025/1737**

**of 13 August 2025**

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

THE EUROPEAN COMMISSION,

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

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

After consulting the Member States,

Whereas:

**1. PROCEDURE**

**1.1. Initiation**

- (1) On 19 December 2024, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of valine originating in the People's Republic of China ('China', 'PRC' or 'the country concerned') on the basis of Article 5 of the basic Regulation. It published a Notice of Initiation in the *Official Journal of the European Union* <sup>(2)</sup> ('the Notice of Initiation').
- (2) The Commission initiated the investigation following a complaint lodged on 5 November 2024 by Eurolysine SAS ('Eurolysine' or 'the complainant'). The complaint was made by the Union industry of valine in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

**1.2. Registration**

- (3) The Commission made imports of the product concerned subject to registration by Commission Implementing Regulation (EU) 2025/326 ('the registration Regulation') <sup>(3)</sup>.

**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, the known exporting producers and the Chinese authorities, as well as known importers and users, 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. No comments on initiation and no hearing requests were received.

**1.4. Sampling**

- (6) In the Notice of Initiation, the Commission stated that it might sample unrelated importers and exporting producers in accordance with Article 17 of the basic Regulation.

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

<sup>(2)</sup> Notice of initiation of an anti-dumping proceeding concerning imports of valine originating in the People's Republic of China (OJ C, C/2024/7460, 19.12.2024, ELI: <http://data.europa.eu/eli/C/2024/7460/oj>).

<sup>(3)</sup> Commission Implementing Regulation (EU) 2025/326 of 18 February 2025 making imports of valine originating in the People's Republic of China subject to registration (OJ L, 2025/326, 19.2.2025, ELI: [http://data.europa.eu/eli/reg\\_impl/2025/326/oj](http://data.europa.eu/eli/reg_impl/2025/326/oj)).

***Sampling of unrelated importers***

- (7) 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.
- (8) Four unrelated importers provided the requested information and agreed to be included in the sample. In view of the low number of replies, the Commission decided that sampling was not necessary.

***Sampling of exporting producers***

- (9) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in China 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 Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (10) Seven exporting producers in the country concerned, belonging to five groups, 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 producer groups on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. At the time of the selection, on the basis of the information available, the selected sample represented 24 % of the estimated total import quantity of valine in the Union from China and 67 % of the total exports to the Union reported by the cooperating exporting producers in the investigation period. 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.
- (11) One exporting producer group that provided a reply to the sampling form, Tongliao Meihua Biological Sci-Tech Co., Ltd. and Xinjiang Meihua Amino Acid Co., Ltd. ('Meihua Group') requested to be included in the sample, because (i) their import volume to the Union steadily increased between 2021 and 2024; (ii) they produced also food grade valine, as opposed to the sampled exporting producers, which allegedly produced only feed-grade valine; and (iii) their Union customers included both distributors and end-users, unlike the sampled exporting producers.
- (12) The complainant supported Meihua Group's request, because (i) it was active in the food grade and pharma-grade valine sector; and (ii) based on the ratio between domestic and export sales, appeared to behave as a typical Chinese producer, as opposed to CJ (Shenyang) Biotechnology Co., Ltd. ('CJS'), one of the two sampled exporting producers, which mostly produced and sold for export.
- (13) The Commission recalled that in accordance with Article 17 of the basic Regulation, the criterion for the selection of the sample was the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In this respect, the Commission noted that, despite the increase of exports of Meihua Group to the Union during the investigation period, they remained below the volume of exports of the two sampled exporting producers. Moreover, contrary to Meihua Group's claim, one of the two sampled exporting producers produced and exported to the Union food grade valine during the investigation period and produced but not exported to the Union pharma-grade valine during the investigation period. Finally, the customer type and the ratio between domestic and exports sales as typical behaviour of a Chinese producer were not relevant elements in the sample selection in the present case. Thus, this claim was rejected.
- (14) The complainant, in fact, considered CJS not to be representative of the latest trend of increased imports of valine from China, because (i) it was a historical player in the valine industry which had been exporting to the Union for a long time and would therefore not be representative of the latest trends; and (ii) it was part of a Korean multinational group, so the complainant considered it to be a foreign company operating in China not operating under the same conditions as Chinese-owned companies.

- (15) CJS replied that the elements highlighted by the complainant were irrelevant for the sample selection and confirmed that CJS was one of the most important historical players in the valine industry in China and, thus, was representative.
- (16) The Commission recalled that the sample was selected based on the criteria set out in Article 17 of the basic Regulation and based on the largest representative volume of exports to the Union which could reasonably be investigated within the time available. The other elements raised by the complainant were not relevant in this regard. Therefore, this claim was rejected.
- (17) Finally, the complainant claimed that one of the sampled exporting producers, Bayannur Huaheng Biotechnology Co., Ltd. ('Huaheng') overstated its volume of exports in the sampling form compared to data reported in Chinese export statistics.
- (18) The Commission noted that this claim could only be properly addressed during the verification of the information concerning export volumes provided by this company in its questionnaire reply. The subsequent verification of this data showed that Huaheng's export volumes during the investigation period were in line with the volume declared at sampling stage. Therefore, this claim was rejected, and the selected sample was confirmed.

#### 1.5. Individual examination

- (19) No exporting producer in China requested individual examination under Article 17(3) of the basic Regulation.

#### 1.6. Questionnaire replies and verification visits

- (20) The Commission sent questionnaires to the sole Union producer, the sampled exporting producers in China and the importers that come forward in the sampling stage. The same questionnaires were made available online on the day of initiation.
- (21) The Commission sent a questionnaire concerning the existence of significant distortions in China within the meaning of Article 2(6a)(b) of the basic Regulation to the Government of the People's Republic of China ('GOC').
- (22) Questionnaire replies were received from the sole Union producer, the two sampled Chinese exporting producer groups, two importers and two users, related to the Union industry.
- (23) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Verification visits pursuant to Article 16 of the basic Regulation were carried out at the premises of the following companies:

##### *Union producer*

- Eurolysine SAS, Amiens, France

##### *Exporting producers in China*

- CJ (Shenyang) Biotechnology Co., Ltd., Shenyang, China
- Bayannur Huaheng Biotechnology Co., Ltd., Bayannur, China

##### *Related traders*

- CJ CheilJedang Corp., Seoul, Republic of Korea
- Anhui Huaheng Biotechnology Co., Ltd., Hefei, China

##### *Related importer*

- CJ Europe GmbH, Frankfurt am Main, Germany

### 1.7. Investigation period and period considered

- (24) The investigation of dumping and injury covered the period from 1 October 2023 to 30 September 2024 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period d from 1 January 2021 to the end of the investigation period ('the period considered').

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

### 2.1. Product under investigation

- (25) The product under investigation is valine and its esters, salts thereof, as a separate chemically defined organic compound, whether or not containing impurities, currently falling under CN code 2922 49 85 ('the product under investigation').
- (26) Valine is produced by bio-fermentation, which is the transformation of carbohydrates into amino acids by the interplay of bacterial strains. The main raw material used for the fermentation is sugar from beet or corn. Following the fermentation the next step of the production is extraction and for some applications additional purification.
- (27) Valine is used in a wide range of applications, in the animal feed, pharma and food (dietary supplement) market.

### 2.2. Product concerned

- (28) The product concerned is product under investigation originating in the People's Republic of China, currently falling under CN code 2922 49 85 (TARIC code 2922 49 85 87) ('the product concerned').

### 2.3. Like product

- (29) The investigation showed that the following products have the same basic physical, chemical and technical characteristics as well as the same basic uses:
- the product concerned when exported to the Union;
  - the product under investigation produced and sold on the domestic market of country concerned; and
  - the product under investigation produced and sold in the Union by the Union industry.
- (30) The Commission decided at this stage that those products are therefore like products within the meaning of Article 1(4) of the basic Regulation.

### 2.4. Claims regarding product scope

- (31) One cooperating not sampled exporting producer group ('Meihua Group'), requested that valine used in the food sector should be excluded from the product scope. They claimed that food grade valine has different physical and chemical characteristics than feed grade valine and that it is sold at higher prices. They also claimed that food grade valine does not compete with animal feed valine, and there are no producers of food grade valine in the Union.
- (32) While it is correct that valine used in the pharmaceutical, or the food sector is subject to stricter regulatory requirements, the different grades of valine have still similar essential physical, technical and chemical characteristics, being all constituted by the same molecule and sharing the same basic functions, i.e. to provide highly digestible valine to animals and human beings, either in pharmaceutical products, in food (as a dietary supplement), or feed. Moreover, all grades are produced through the same production process, with different degrees of purification and extractions. All grades of valine are imported under the same TARIC codes.

- (33) The investigation has shown that Eurolysine, upon obtaining relevant regulatory authorisations had the technical ability to produce all grades of valine including the food grade and that the production of food grade does not require additional equipment. It also appears that Eurolysine's customers of valine may carry out the additional steps of purification and extraction necessary for the production of food grade valine. Eurolysine also stated that they plan to diversify their production in future. Finally, exclusion of the food grade valine from the product scope would create an incentive for circumvention of the measures. In addition, imports of food grade into the Union are not expected to stop even if measures are imposed, as the duty levels are not prohibitive. The Commission therefore considered at this stage, the food grade valine should not be excluded from the product scope and that this claim should be rejected.

### 3. DUMPING

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

- (34) 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 China, 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.
- (35) 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 China to provide information regarding the inputs used for producing valine. Three exporting producers, belonging to two groups, submitted the relevant information. These were Meihua Group and CJS.
- (36) 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 and no submission on the application of Article 2(6a) of the basic Regulation was received within the deadline. Subsequently, on 26 May 2025, 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. No comments on the application of Article 18 of the basic Regulation were received from the GOC.
- (37) 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 Brazil 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.
- (38) On 2 April 2025, the Commission informed by a note ('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 valine. In addition, based on the criteria guiding the choice of undistorted prices or benchmarks, the Commission identified possible representative countries, namely Brazil, Colombia, Indonesia, Thailand and Türkiye. The Commission received comments on the First Note from CJS, Huaheng and the complainant.

- (39) The Commission analysed and addressed the comments and on 4 June 2025 it informed by a second note (‘the Second Note’) the interested parties about the outcome of this analysis and the relevant sources it intended to use for the determination of the normal value, with Malaysia as the representative country. It also informed interested parties that it would establish selling, general and administrative (‘SG&A’) costs and profits based on available information for the company Ajinomoto (Malaysia) Berhad (‘Ajinomoto Malaysia’), a producer of monosodium glutamate (‘MSG’) in Malaysia a product in the general category and/or sector of valine with (mostly) the same factors of production, as explained in recital (150). The Commission received comments on the Second Note from CJS, Huaheng and the complainant. The comments are addressed in detail in section 3.2.11 below.
- (40) After having analysed the comments and information received following the Second Note, the Commission concluded that Colombia was an appropriate representative country from which undistorted prices and costs would be sourced for the determination of the normal value and that it would establish SG&A costs and profits based on available information for 2023 for the company Sucroal S.A. (‘Sucroal’), a producer of citric acid in Colombia, a product in the same general category and/or sector of valine with (mostly) the same factors of production, as explained in recital (144).

### 3.2. Normal value

- (41) 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’*.
- (42) However, according to Article 2(6a)(a) of the basic Regulation, *‘in case it is determined ... that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions within the meaning of point (b), the normal value shall be constructed exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks’*, and *‘shall include an undistorted and reasonable amount of administrative, selling and general costs and for profits’* (‘administrative, selling and general’ costs are referred to as ‘SG&A’ costs, as in recital (39)).
- (43) As further explained below, the Commission concluded in the present investigation that, based on the evidence available, and in view of the lack of cooperation of the GOC, the application of Article 2(6a) of the basic Regulation was appropriate.

#### 3.2.1. Existence of significant distortions

- (44) 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.'*

(45) 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.

(46) 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.

(47) 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'.

(48) Pursuant to this provision, the Commission issued a country report concerning China ('the Report')<sup>(4)</sup>, 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 chemical 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.

(49) The complainant argued that prices or costs of the product under investigation, 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.

<sup>(4)</sup> 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, available at: [https://ec.europa.eu/transparency/documents-register/detail?ref=SWD\(2024\)91&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2024)91&lang=en).

- (50) To support this position, the complainant referred to the evidence contained in the Report <sup>(5)</sup>, to findings in several recent Commission investigations – namely the ones concerning sodium gluconate <sup>(6)</sup>, certain polyvinyl alcohols <sup>(7)</sup>, sulphanilic acid <sup>(8)</sup>, citric acid <sup>(9)</sup>, MSG <sup>(10)</sup>, erythritol <sup>(11)</sup> and oxalic acid <sup>(12)</sup> – as well as US trade authority conclusions on citric acid and sodium gluconate. It also referenced US determinations regarding prices and costs in China highlighting factors such as the socialist market economy doctrine, the Communist Party's of China ('CCP' or 'Party') leading role and the interventionist economic policy of the Chinese state.
- (51) Moreover, pointing out that the producers in the above-mentioned Commission investigations operate in the same sector as those in the valine sector, the complainant argued that the conclusions from the above-mentioned Commission investigations must be assumed to equally apply to valine producers in China. In addition, the complainant recalled the following elements pointing to the existence of significant distortions.
- (52) First, the chemical sector, including the valine subsector, 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 sodium gluconate investigation, a substantial degree of ownership and control by the GOC persisted in the chemical sector, with a number of enterprises, even if not fully state-owned, found to have an important proportion of direct and indirect state shareholding.
  - Similarly, the sulphanilic acid investigation showed that the CCP entertained a prominent role in the operations and decision-making processes of several Chinese exporting producers of that product.
- (53) Second, the state presence in valine 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 <sup>(13)</sup> and the company shall provide the necessary conditions for the activities of the party organization. These rules are also applicable to the producers of valine and the suppliers of their inputs.

<sup>(5)</sup> Referring also to the updated version of the Report, published in 2024.

<sup>(6)</sup> Commission Implementing Regulation (EU) 2023/752 of 12 April 2023 imposing a definitive anti-dumping duty on imports of sodium gluconate originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 100, 13.4.2023, p. 16, ELI: [http://data.europa.eu/eli/reg\\_impl/2023/752/oj](http://data.europa.eu/eli/reg_impl/2023/752/oj)).

<sup>(7)</sup> Commission Implementing Regulation (EU) 2020/1336 of 25 September 2020 imposing definitive anti-dumping duties on imports of certain polyvinyl alcohols originating in the People's Republic of China . (OJ L 315, 29.9.2020, p. 1, ELI: [http://data.europa.eu/eli/reg\\_impl/2020/1336/oj](http://data.europa.eu/eli/reg_impl/2020/1336/oj)).

<sup>(8)</sup> Commission Implementing Regulation (EU) 2021/441 of 11 March 2021 imposing a definitive anti-dumping duty on imports of sulphanilic acid originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 85, 12.3.2021, p. 154, ELI: [http://data.europa.eu/eli/reg\\_impl/2021/441/oj](http://data.europa.eu/eli/reg_impl/2021/441/oj)).

<sup>(9)</sup> Commission Implementing Regulation (EU) 2021/607 of 14 April 2021 imposing a definitive anti-dumping duty on imports of citric acid originating in the People's Republic of China as extended to imports of citric acid consigned from Malaysia, whether declared as originating in Malaysia or not, following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 129, 15.4.2021, p. 73, ELI: [http://data.europa.eu/eli/reg\\_impl/2021/607/oj](http://data.europa.eu/eli/reg_impl/2021/607/oj)).

<sup>(10)</sup> Commission Implementing Regulation (EU) 2021/633 of 14 April 2021 imposing a definitive anti-dumping duty on imports of monosodium glutamate originating in the People's Republic of China and in Indonesia following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council . (OJ L 132, 19.4.2021, p. 63, ELI: [http://data.europa.eu/eli/reg\\_impl/2021/633/oj](http://data.europa.eu/eli/reg_impl/2021/633/oj)).

<sup>(11)</sup> Commission Implementing Regulation (EU) 2024/1959 of 17 July 2024 imposing a provisional anti-dumping duty on imports of erythritol originating in the People's Republic of China (OJ L, 2024/1959, 19.7.2024, ELI: [http://data.europa.eu/eli/reg\\_impl/2024/1959/oj](http://data.europa.eu/eli/reg_impl/2024/1959/oj)).

<sup>(12)</sup> Commission Implementing Regulation (EU) 2024/2211 of 5 September 2024 imposing a definitive anti-dumping duty on imports of oxalic acid originating in India and the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L, 2024/2211, 6.9.2024, ELI: [http://data.europa.eu/eli/reg\\_impl/2024/2211/oj](http://data.europa.eu/eli/reg_impl/2024/2211/oj)).

<sup>(13)</sup> Report, p. 26.

- As established in the MSG investigation, in the case of Meihua Group, one of the valine producers, four of the members of the Board were listed to be CCP members in 2022, among them the Deputy Director and the Finance Director. Moreover, the Commission found in that investigation evidence of Meihua's Party building activities and the CCP's influence on the company's operations.
- In the case of Ningxia Eppen Biotech Co., Ltd., another valine producer, the Commission found in the MSG investigation that the company's Chairman served as a representative to the 12<sup>th</sup> People's Congress of the Ningxia Hui Autonomous Region, at least until July 2020. Also, the Ningxia Federation of Industry and Commerce highlighted the CCP's involvement in the company's operations, stating that the Party Committee Secretary and relevant Party Organization leaders are required to participate in key meetings and communicate decisions to Party members and stakeholders. Additionally, Guangxin Group which owns 99,22 % of Ningxia Eppen Biotech Co., Ltd., is a wholly owned by the Guangdong Provincial Government focused on new materials development <sup>(14)</sup>.
- As regards the Fufeng Group, another valine producer, representatives of the US Congress assert that the group has close links to the CCCP <sup>(15)</sup>. In the MSG investigation, the Commission found that Fufeng not only had the support of CCP members and local public authorities but that the latter coordinated matters of interest for the company <sup>(16)</sup>.
- Furthermore, the complainant submitted that in the oxalic acid review investigation, the EU industry documented significant distortions concerning basic intermediate chemicals used in the production of oxalic acid, such as nitric acid, sulphuric acid, oxygen and hydrogen peroxide <sup>(17)</sup>.
- The sodium gluconate investigation demonstrated that the GOC was in a position to interfere with prices and costs in the chemical sector through personal connections between exporting producers and the CCP, at the level of manufacturing enterprises, producers of raw materials, as well industry associations. Further, in the oxalic acid investigation, the Commission noted the State influence in the chemical sector expressed in the 14<sup>th</sup> FYP on Developing Raw Materials Industry and the CCP influence over the two major industry associations, the China Biotech Fermentation Association ('CBFIA'), and the China Chemical Environmental Protection Association ('CCEPA').
- Moreover, since most valine producers are probably members of the China Food Additive and Ingredients Association ('CFAA') and they or their suppliers are members of the China Starch Industry Association ('CSIA') and the CCEPA, they have to follow the overall leadership of the CCP and organize party activities in their companies.

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

- China's resource allocation system prioritizes sectors deemed strategic or politically <sup>(18)</sup> significant by the government, rather than relying on market forces. The chemical industry, including valine production, is recognized as important, as evidenced by numerous government plans and directives at various administrative levels. Valine production specifically is influenced by policies related to corn deep processing, as outlined in the the 14<sup>th</sup> FYP on Promoting the Modernization of Agriculture and Rural Areas, and Key Policies, or in the Grain and Oil Processing 13<sup>th</sup> FYP. The latter plan aim to manage various aspects of the corn processing sector (including the valine sub-sector), notably with regard to the development of the value chain, supply patterns, technology choice, production localisation, or policy support and it has resulted, among others, in excess capacity and increased exports.

<sup>(14)</sup> See at: <http://www.cnchemicals.com/Press/91652-Star%20Lake%20Bioscience%20to%20acquire%20Eppen%20Biotechs%2099.22%20percent%20equity.html>; here Annex 11 (accessed on 21 October 2024).

<sup>(15)</sup> See at: <https://thehill.com/policy/defense/3662967-lawmakers-raise-concerns-about-chinese-based-firms-acquisition-of-land-near-us-military-installation/>; here Annex 12 (accessed on 21 October 2024).

<sup>(16)</sup> See Implementing Regulation (EU) 2021/633, rec. (62).

<sup>(17)</sup> See Implementing Regulation (EU) 2024/2211, recs. (76)-(81).

<sup>(18)</sup> See Implementing Regulation (EU) 2023/752, rec. (51) and (52).

- In addition, with regard to inputs, the Commission found in the MSG and erythritol investigations <sup>(19)</sup> that the corn sector in China is heavily regulated, with the government maintaining significant stockpiles that allow for manipulation of market prices through strategic buying and selling. Despite efforts to address excessive reserves since 2016, these stockpiles continue to distort prices. The government oversees all aspects of the corn value chain, including production subsidies and processing operations, as indicated by National Development and Reform Commission ('NDRC') directives aimed at ensuring food security and balancing supply and demand. Furthermore, investment in corn deep processing projects is subject to strict regulatory management under State Council Order No 673 <sup>(20)</sup>.
- State policies in China significantly influence the corn sector at both national and provincial levels, as exemplified by Heilongjiang Province's 2017 Guiding Opinion on the Development Layout of the Corn Deep Processing Industry <sup>(21)</sup>. This document encourages the establishment of large-scale operations and provides for state support for financing eligible enterprises, reflecting ongoing government interference that aligns with the objectives of the 14<sup>th</sup> FYP.
- The Commission also identified significant state interference in the ammonia sector, as outlined in China's 13<sup>th</sup> FYP for the Petrochemical and Chemical Industry, which sets annual ammonia production targets exceeding 1 million tons. Local policies, such as those from Hebei Province <sup>(22)</sup>, further support this initiative, particularly through the development of large ammonia facilities and preferential electricity pricing in regions like Chongqing and Zhejiang <sup>(23)</sup>. Such government involvement throughout the entire valine value chain has the potential to distort market prices.
- In the sodium gluconate investigation, the industry was found to be covered by several plans, directives and other documents focused on chemicals, including food additives, which were issued at national, regional and municipal level, such as the 14<sup>th</sup> FYP. The latter's technological goals were defined in the FYP on Developing the Raw Materials Industry. Since the producers investigated in the sodium gluconate case operate in the same sector as the producers of valine, those conclusions equally apply to valine producers in China.
- China increased in the recent years the scope of goods and companies which can benefit from VAT exemptions, deductions, rebates and refunds on exports. This also results in a cost incentive for Chinese operators in the valine market.

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

- Referring to the Report and recent Commission investigations in sectors in which the producers of valine also operate, the complainant pointed out that valine producers are affected by distortions resulting from discriminatory application of laws exacerbated by issues of inadequate insolvency system and land use rights allocation.

(56) Fifth, wage costs are distorted in the chemical sector as well:

- With reference to the Report, the complainant indicated restrictions on collective organization, the lack of ratified International Labour Organization conventions on workers' rights, the presence of State-controlled trade unions and the household registration system.

<sup>(19)</sup> See Implementing Regulation (EU) 2021/633, rec. (76); Implementing Regulation (EU) 2024/1959, rec. (126) et seq.; Implementing Regulation (EU) 2024/2211, recs. (67)-(69) and (158) et seq.

<sup>(20)</sup> See Implementing Regulation (EU) 2021/633, rec. (77).

<sup>(21)</sup> Idem, rec. (78).

<sup>(22)</sup> Report, p. 69.

<sup>(23)</sup> Report, p. 223.

- The sodium gluconate and oxalic acid investigations concluded that the sodium gluconate sector was affected, both directly and indirectly, by distortions of wage costs <sup>(24)</sup>.
- (57) Sixth, valine producers have access to finance granted by institutions which implement public policy objectives or otherwise are not acting independently from the state:
- The Report showed that granting access to finance by the State-owned banks, regulations in force and bond as well as credit ratings in China are often distorted. Those disruptions are caused by the firm's strategic importance to the government, implicit guarantees and secondary position of creditworthiness assessments to the broader obligations.
  - Moreover, borrowing costs have been kept artificially low to stimulate investment growth, which led to the excessive use of capital investment with ever lower returns on investment.
  - In addition, the government has rolled over debt, created 'zombie' companies and transferred debt ownership through mergers as well as debt-to-equity swaps, without addressing the underlying debt issues.
  - The oxalic acid investigation affirmed that private commercial banking must be overseen by the CCP and abide by national policies <sup>(25)</sup>, in addition to other recent Commission investigations - sodium gluconate and erythritol - have not revealed any evidence demonstrating that the respective sectors were not affected by the government intervention in the financial system in the sense of Article 2(6a)(b), sixth indent of the basic Regulation.
- (58) Referring also to Commission consistently determining that distortions are characteristic for the Chinese economy. Moreover, given that to produce valine, a range of inputs is needed, when the producers of valine purchase inputs in the PRC, the prices they pay (and which are recorded as their costs) are exposed to those systemic distortions. For instance, suppliers of inputs employ labour that is subject to the distortions, borrow money that is subject to the distortions in the financial sector/capital allocation and are subject to the planning system that applies across all levels of government and sectors.
- (59) In conclusion, the complainant argued that significant distortions pursuant to Article 2(6a) of the basic Regulation are present in the valine sector and, as a result, it is not appropriate to use domestic prices and costs to establish normal value in the present investigation.
- (60) The Commission examined whether it was appropriate or not to use domestic prices and costs in China, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation.
- (61) The Commission did so on the basis of the evidence available on the file. The evidence on the file included the evidence contained in the Report, which relies on publicly available sources. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in China. That analysis covered the examination of the substantial government interventions in China's economy in general, but also the specific market situation in the relevant sector including the product concerned.

### 3.2.2. Significant distortions affecting the domestic prices and costs in China

- (62) The Chinese economic system is based on the concept of a 'socialist market economy'. That concept is enshrined in the Chinese Constitution and determines the economic governance of China. The core principle is the '*socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people*' <sup>(26)</sup>.

<sup>(24)</sup> See Implementing Regulation (EU) 2023/752, rec. (65).

<sup>(25)</sup> See Implementing Regulation (EU) 2024/2211, rec. (185).

<sup>(26)</sup> Report – Chapter 2, p. 7.

- (63) The state-owned economy is the '*leading force in the national economy*' and the state has the mandate to ensure its '*consolidation and growth*' <sup>(27)</sup>. 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.
- (64) 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 <sup>(28)</sup>.
- (65) 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.
- (66) 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.
- (67) 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*' <sup>(29)</sup>. This illustrates the unquestioned and ever-growing control of the CCP over the economic system of China.
- (68) 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.
- (69) 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 <sup>(30)</sup>. 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.
- (70) 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.
- (71) 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.
- (72) 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.).
- (73) 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 <sup>(31)</sup>.

<sup>(27)</sup> Report – Chapter 2, p. 7-8.

<sup>(28)</sup> Report – Chapter 2, p. 10, 18.

<sup>(29)</sup> See at: [http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node\\_2825.html](http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node_2825.html) (accessed on 21 October 2024).

<sup>(30)</sup> Report – Chapter 2, p. 29-30.

<sup>(31)</sup> Report – Chapter 4, p. 57, 92.

- (74) Second, on the level of allocation of financial resources, the financial system of China is dominated by the state-owned commercial and policy banks. Those banks, when setting up and implementing their lending policy need to align themselves with the government's industrial policy objectives rather than primarily assessing the economic merits of a given project <sup>(32)</sup>.
- (75) 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 <sup>(33)</sup>.
- (76) 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 <sup>(34)</sup>.
- (77) 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 <sup>(35)</sup>.
- (78) 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 <sup>(36)</sup>.

3.2.3. *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*

- (79) In China, enterprises operating under the ownership, control and/or policy supervision or guidance by the state represent an essential part of the economy.
- (80) The sector of the product concerned is mainly served by private companies, such as: the Meihua Group <sup>(37)</sup>, the Fufeng Group <sup>(38)</sup> or Huaheng Group <sup>(39)</sup>, the latter featuring a minority state-owned shareholding. Some state-owned companies are also active in the sector, for example Ningxia Eppen Biotechnology Co. Ltd. <sup>(40)</sup> which is controlled by Zhaoqing Starlake Bioscience Ltd <sup>(41)</sup>, an SOE under Guangdong State-owned Asset Supervision and Administration Commission.

<sup>(32)</sup> Report – Chapter 6, p. 149-150.

<sup>(33)</sup> Report – Chapter 6, p. 153 -171.

<sup>(34)</sup> Report – Chapter 7, p. 204-205.

<sup>(35)</sup> Report – Chapter 8, p. 207-208, 242-243.

<sup>(36)</sup> Report – Chapter 2, p. 19-24, Chapter 4, p. 69, p. 99-100, Chapter 5, p. 130-131.

<sup>(37)</sup> See at: <https://cn.meihua.group/> (accessed on 15 May 2025).

<sup>(38)</sup> See at: <http://www.fufeng-group.com/> (accessed on 15 May 2025).

<sup>(39)</sup> See at: <https://www.huahengbio.com/> (accessed on 15 May 2025).

<sup>(40)</sup> See at: <https://www.eppen.com.cn/aboutUs/companyOverview?location=honor> (accessed on 16 May 2025).

<sup>(41)</sup> See at: <https://www.starlake.com.cn/About/Detail?Node=200800800&rid=100000017133126>, as well as in the company's annual report (p. 90) at: [http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH\\_STOCK/2025/2025-4/2025-04-22/10924371.PDF](http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2025/2025-4/2025-04-22/10924371.PDF) (accessed on 16 May 2025).

- (81) With CCP claiming leadership over virtually every aspect of the country's economy, Party interventions into operational decision making have become the norm not only in State owned enterprises ('SOEs'), but also in private companies<sup>(42)</sup>. Indeed, the State's influence by means of CCP structures within companies effectively results in economic operators being under the government's control and policy supervision, given how far the State and Party structures have grown together in China.
- (82) Moreover, the valine sector is subject to several government policies, such as the 2022 key policies announced by the Ministry of Finance and the Ministry of Agriculture and rural affairs: *'[i]ntegrated development of agricultural industry. Coordinate the layout and construction of a number of national modern agricultural industrial parks, advantageous and characteristic industrial clusters, and agricultural industrial strong municipalities. Focusing on ensuring national food security and effective supply of important agricultural products, focusing on rice, wheat, corn, [...] build a modern rural industrial system based on strong industrial towns, industrial parks as the engine, and industrial clusters as the backbone, provincial, county and township layouts, and coordinated promotion of points, lines, and areas, so as to improve the quality and efficiency of industrial development as a whole'*<sup>(43)</sup>. Similarly, the 14<sup>th</sup> FYP on promoting the modernization of agriculture and rural areas sets the following objectives: *'[n]ational food security industry belt construction. Based on the production and supply of rice, wheat, corn, soybeans, etc., coordinate the layout of capacity building in production, processing, storage, and circulation, and build food safety industrial belts [...]'*<sup>(44)</sup>. Furthermore, the 14<sup>th</sup> FYP on developing bioeconomy also requires to *'develop enzyme preparations, microbial preparations, fermented feed, feed amino-acids and other biological feeds [...]'*<sup>(45)</sup>.
- (83) Government control and policy supervision can be also observed at the level of the relevant industry associations<sup>(46)</sup>.
- (84) For instance, China Biotech Fermentation Industry Association, CBFIA states in Article 3 of its Articles of Association that the organisation *'accepts the professional guidance, supervision and management by the entities in charge of registration and management, by entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management'*<sup>(47)</sup>. The Party Branch of CBFIA<sup>(48)</sup> requires to *'examine and deploy specific activities to foster the comprehensive and strict governance by the Party and strengthen Party building [...]'* and to *'fully recognize that the in-depth promotion of the comprehensive and strict governance by the Party over national industry associations and chambers of commerce is a political requirement guiding industry associations' and chambers of commerce's efforts to adhere and strengthen the leadership of the Party'*<sup>(49)</sup>.
- (85) Meihua Group and Fufeng Group are among the members of CBFIA, both serving as Deputy Chairmen of the association's board of directors<sup>(50)</sup>.
- (86) Moreover, CSIA pursues the goal to *'actively publicize and implement the Party's and the State's guidelines on the development of the starch industry, and complete the tasks entrusted by relevant government departments'*<sup>(51)</sup>. In addition, Article 3 of its Articles of Association states that CSIA *'establishes an organization of the Communist Party of China, carries out Party activities, and provides the necessary conditions for the activities of the Party organization'* and *'accepts the business guidance, supervision and management by the entities in charge of registration and management, by entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management'*<sup>(52)</sup>.

<sup>(42)</sup> See Art. 33 of the CCP Constitution, Article 19 of the Chinese Company Law. See Report – Chapter 3, p. 47-50.

<sup>(43)</sup> See at: [http://www.moa.gov.cn/gk/cwggk\\_1/nybt/202206/t20220610\\_6402146.htm](http://www.moa.gov.cn/gk/cwggk_1/nybt/202206/t20220610_6402146.htm), paragraph 20 (accessed on 16 May 2025).

<sup>(44)</sup> See at: [https://www.gov.cn/zhengce/content/2022-02/11/content\\_5673082.htm](https://www.gov.cn/zhengce/content/2022-02/11/content_5673082.htm), Section II.6, Box 2 (accessed on 16 May 2025).

<sup>(45)</sup> See Section IV.10 of the Plan available at: [https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202205/t20220510\\_1324436.html](https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202205/t20220510_1324436.html) (accessed on 16 May 2025).

<sup>(46)</sup> Report – Chapter 2, p. 24-27.

<sup>(47)</sup> See at: <http://m.cfia.org.cn/site/term/5.html> (accessed on 16 May 2025).

<sup>(48)</sup> See at: <http://m.cfia.org.cn/#menu> (accessed on 16 May 2025).

<sup>(49)</sup> See at: <http://m.cfia.org.cn/site/content/2092.html> (accessed on 16 May 2025).

<sup>(50)</sup> See at: <http://m.cfia.org.cn/site/term/3.html> (accessed on 16 May 2025).

<sup>(51)</sup> See at: <https://www.siacn.org.cn/dl/pjn-252Bx-.html> (accessed on 16 May 2025).

<sup>(52)</sup> See at: <https://www.siacn.org.cn/dl/IOa-252B22.html> (accessed on 16 May 2025).

- (87) Meihua Group is among the Vice Chairmen of CSIA's executive council <sup>(53)</sup>.
- (88) Furthermore, the Law on Promoting the Private Sector mandates that '[p]rivate economic organizations and their operators shall support the leadership of the Communist Party of China, adhere to the socialist system with Chinese characteristics, and actively participate in the construction of a socialist modern power' <sup>(54)</sup>.
- (89) Consequently, even privately owned producers in the sector of the product concerned are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the sector are subject to policy supervision and guidance.
- 3.2.4. *Significant distortions according to Article 2(6a)(b), second indent of the basic Regulation: State presence in firms allowing the state to interfere with respect to prices or costs*
- (90) The GOC is in position to interfere with prices and costs through state presence in firms. Indeed, CCP cells in enterprises, state-owned and private alike, represent an important channel through which the state can interfere with business decisions.
- (91) According to China's company law, a CCP organisation is to be established in every company (with at least three CCP members as specified in the CCP Constitution <sup>(55)</sup>) and the company shall provide the necessary conditions for the activities of the Party organisation.
- (92) In the past, this requirement appeared not to have always been followed or strictly enforced. However, since at least 2016 the CCP has been reinforcing its claims to control business decisions in companies as a matter of political principle <sup>(56)</sup>, including exercising pressure on private companies to put 'patriotism' first and to follow Party discipline <sup>(57)</sup>.
- (93) Already in 2018, it was reported that Party cells existed in 73 % of some 2,57 million privately owned companies, with growing pressure for the CCP organisations to have a final say over the business decisions within their respective companies <sup>(58)</sup>. These rules are of general application throughout the Chinese economy, across all sectors, including to the producers of the product concerned and the suppliers of their inputs.
- (94) In addition, on 15 September 2020 a document titled General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era (*the Guidelines*) <sup>(59)</sup> was released, which further expanded the role of the Party committees in private enterprises.
- (95) Section II.4 of the Guidelines states: '[w]e must raise the Party's overall capacity to lead private-sector United Front work and effectively step up the work in this area'; and Section III.6 states: '[w]e must further step up Party building in private enterprises and enable the Party cells to play their role effectively as a fortress and enable Party members to play their parts as vanguards and pioneers'. The Guidelines thus emphasise and seek to increase the role of the CCP in companies and other private sector entities <sup>(60)</sup>.
- (96) The investigation confirmed that overlaps between managerial positions and CCP membership/Party functions exist also in the valve sector.

<sup>(53)</sup> See at: <https://www.siacn.org.cn/dl/gB2Ahr0BX.html> (accessed on 16 May 2025).

<sup>(54)</sup> See Art. 5 of the Law on Promoting the Private Sector, available at: [https://www.gov.cn/yaowen/liebiao/202504/content\\_7022018.htm](https://www.gov.cn/yaowen/liebiao/202504/content_7022018.htm) (accessed on 16 May 2025).

<sup>(55)</sup> Report – Chapter 3, p. 40.

<sup>(56)</sup> See for example: Blanchette, J. – Xi's Gamble: *The Race to Consolidate Power and Stave off Disaster*, Foreign Affairs, Vol. 100, No 4, July/August 2021, pp. 10-19.

<sup>(57)</sup> Report – Chapter 3, p. 41.

<sup>(58)</sup> See at: <https://merics.org/en/comment/who-ccp-chinas-communist-party-infographics> (accessed on 16 May 2025).

<sup>(59)</sup> 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](http://www.gov.cn/zhengce/2020-09/15/content_5543685.htm) (accessed on 16 May 2025).

<sup>(60)</sup> Financial Times (2020) – Chinese Communist Party asserts greater control over private enterprise, see at: <https://on.ft.com/3mYxP4j> (accessed on 16 May 2025).

- (97) To provide an example, one of the Directors of Ningxia Eppen Biotechnology Co. Ltd. also serves as the Party secretary of the holding company Zhaoqing Starlake Bioscience Ltd. <sup>(61)</sup>.
- (98) Moreover, in the case of Meihua Group, four out of 11 members of the Board of Directors were stated to be CCP members in 2023 <sup>(62)</sup>.
- (99) The state's presence and intervention in the financial markets as well as in the provision of raw materials and inputs further have an additional distorting effect on the market <sup>(63)</sup>. Thus, the state presence in firms, in the valine and other sectors (such as the financial and input sectors) allows the GOC to interfere with respect to prices and costs.

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

- (100) The direction of the Chinese economy is to a significant degree determined by an elaborate system of planning which sets out priorities and prescribes the goals the central, provincial and local governments must focus on. Relevant plans exist at all levels of government and cover virtually all economic sectors. The objectives set by the planning instruments are of a binding nature and the authorities at each administrative level monitor the implementation of the plans by the corresponding lower level of government.
- (101) Furthermore, the GOC intends to 'support private economic organizations to participate in major national strategies and major projects. Support private economic organizations to invest and start businesses in strategic emerging industries, future industries and other fields, encourage the technological transformation and transformation and upgrading of traditional industries' <sup>(64)</sup>.
- (102) Overall, the system of planning in China results in resources being driven to sectors designated as strategic or otherwise politically important by the government, rather than being allocated in line with market forces <sup>(65)</sup>.
- (103) The Chinese authorities have enacted a number of policies guiding the functioning of the sector of the product concerned.
- (104) The 2022 key policies of the Ministry of Finance and the Ministry of Agriculture and rural affairs mentioned above (see recital (82)) contain also the following provisions influencing the functioning of the sector: '[t]he state will continue to implement policies such as subsidies for corn and soybean producers, subsidies for rice, and incentives for large grain-producing counties, so as to consolidate the effectiveness of supply-side structural reform in agriculture and ensure national food security' or '[r]ewards for major seed production counties. Expand the scope of support for major seed production counties of rice, wheat, corn [...], and promote the transformation and upgrading of the seed industry' <sup>(66)</sup>.

<sup>(61)</sup> See Guangdong Zhaoqing Starlake Ltd.'s annual report 2024 p.42, available at: [http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH\\_STOCK/2025/2025-4/2025-04-22/10924371.PDF](http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2025/2025-4/2025-04-22/10924371.PDF) (accessed on 20 May 2025).

<sup>(62)</sup> See Meihua Group's annual report 2023, p.39, available at: [https://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH\\_STOCK/2024/2024-3/2024-03-19/9880386.PDF](https://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESH_STOCK/2024/2024-3/2024-03-19/9880386.PDF) (accessed on 23 May 2025).

<sup>(63)</sup> Report – Chapter 14, Sections 14.1 to 14.3.

<sup>(64)</sup> See Art. 16 of the Law on Promoting the Private Sector, available at: [https://www.gov.cn/yaowen/liebiao/202504/content\\_7022018.htm](https://www.gov.cn/yaowen/liebiao/202504/content_7022018.htm) (accessed on 16 May 2025).

<sup>(65)</sup> Report – Chapter 4, p. 56-57, 99-100.

<sup>(66)</sup> See at: [http://www.moa.gov.cn/gk/cwgk\\_1/nybt/202206/t20220610\\_6402146.htm](http://www.moa.gov.cn/gk/cwgk_1/nybt/202206/t20220610_6402146.htm), paragraphs 6 and 15 (accessed on 20 May 2025).

- (105) The 14<sup>th</sup> FYP on promoting the modernization of agriculture and rural areas <sup>(67)</sup> aims to '[i]mprove grain production support policies. Stabilize grain farmers' subsidies, improve the minimum purchase price policy for rice and wheat, and the subsidy policy for corn and soybean producers. Improve the compensation mechanism for the interests of major grain-producing areas and improve the support policy system for major grain-producing counties' <sup>(68)</sup>. According to the 14<sup>th</sup> FYP on developing the planting sector at national level <sup>(69)</sup>, '[d]uring the 14<sup>th</sup> Five-Year Plan period, we will explore potential expansion, increase production capacity, optimize structure, promote diversified development, and improve supply guarantee capabilities' <sup>(70)</sup>.
- (106) The CSIA's 14<sup>th</sup> FYP <sup>(71)</sup> further shows the existing government policies in the sector by explaining that '[s]ince 2016, the state has adjusted the corn temporary storage policy of the three northeastern provinces and the Inner Mongolia Autonomous Region to a new mechanism of "market-oriented purchase" plus "subsidy", which has caused a sharp drop in corn prices and greatly reduced the production cost of corn starch; in order to digest excess corn inventory, Heilongjiang, Jilin, Liaoning, Inner Mongolia and other places have given different degrees of subsidies to corn deep processing enterprises, which have continued to increase the production capacity of corn deep processing and corn starch production' <sup>(72)</sup>.
- (107) The 14<sup>th</sup> FYP on the development of bio-economy <sup>(73)</sup> directly addresses the sector of the product concerned, by aiming to '[s]trengthen the main position of enterprise innovation. Give play to the leading and supporting role of leading enterprises in the biological field, guide large enterprises to open resources such as technological innovation, supply chain, and financial services to the upstream and downstream of the industrial chain, and promote integration and innovation in small and medium-sized enterprises. Focusing on key fields with large scale and wide influence such as biomedicine, bio-agriculture, and bio-manufacturing, bio-innovative enterprises are encouraged to deepen their cultivation in subdivided fields, cultivate their development advantages, and cultivate them into individual champions with global competitiveness' <sup>(74)</sup>. More specifically, this plan also requires to 'develop enzyme preparations, microbial preparations, fermented feed, feed amino-acid and other biological feeds [...]'.<sup>(75)</sup>
- (108) At the province level, similarly, according to the Hebei 14<sup>th</sup> FYP on strategic and emerging industries <sup>(76)</sup> the government authorities are set to shape the sector's industrial layout as follows: 'Vigorously develop the industries of bio-fermentation, bio-based products, and characteristic biological products, and promote the integrated application of biotechnology in the fields of medicine, chemical industry, materials, food deep processing, and new energy. Consolidate and improve the advantages of amino acids, starch sugars, enzyme preparations, vitamins and other products, and develop new biological materials such as bio-based fibers, bio-based chemicals' <sup>(76)</sup>.
- (109) Furthermore, in 2024, Shandong issued a major policy to promote, upgrade and develop the corn industry <sup>(77)</sup>, providing important tax support for research and development.
- (110) Similarly, Jilin issued specific preferential policies favouring the industry of the product concerned. According to a report released on its website, the 'Jilin Provincial Taxation Bureau [...] formulates and adjusts the list of policy benefits as well as the list of topics requiring quick response. Enterprises have needs, taxation responds. On the way to industry upgrading, there are enough policy tools available' <sup>(78)</sup>. This is confirmed by a representative of the Meihua Group '[i]n 2017, the company settled in Jilin Baicheng Industrial Park as the first company in Baicheng with a total investment of RMB 10 billion. After years of gradual development and growth, with the strong support of tax preferential policies, [...] the market competitiveness of products has been effectively improved. In the first half of 2023 alone, our company has enjoyed an export tax rebate of RMB 139 million, which has freed us from worries in the process of product production, and we can more calmly deal

<sup>(67)</sup> See at: [https://www.gov.cn/zhengce/content/2022-02/11/content\\_5673082.htm](https://www.gov.cn/zhengce/content/2022-02/11/content_5673082.htm) (accessed on 20 May 2025).

<sup>(68)</sup> Ibid., Section II.1.

<sup>(69)</sup> See at: [http://www.moa.gov.cn/govpublic/ZZYGLS/202201/t20220113\\_6386808.htm](http://www.moa.gov.cn/govpublic/ZZYGLS/202201/t20220113_6386808.htm) (accessed on 20 May 2025).

<sup>(70)</sup> Ibid., Section III.1.3.

<sup>(71)</sup> See at: <https://www.siacn.org.cn/ds/220877802e.html> (accessed on 20 May 2025).

<sup>(72)</sup> Ibid., Section I.1.2.

<sup>(73)</sup> See at: [https://www.ndrc.gov.cn/xxgk/jd/jd/202205/t20220509\\_1324417.html](https://www.ndrc.gov.cn/xxgk/jd/jd/202205/t20220509_1324417.html) (accessed on 20 May 2025).

<sup>(74)</sup> Ibid., Section III.6.

<sup>(75)</sup> See at: <http://lvsefazan.cn/index.php/guozijianguan/408.html> (accessed on 21 October 2024).

<sup>(76)</sup> Ibid., Section IV.3.

<sup>(77)</sup> See at: [https://www.sohu.com/a/756699103\\_121769698](https://www.sohu.com/a/756699103_121769698) (accessed on 20 May 2025).

<sup>(78)</sup> See at: [http://jilin.chinatax.gov.cn/art/2023/11/6/art\\_334\\_710476.html](http://jilin.chinatax.gov.cn/art/2023/11/6/art_334_710476.html) (accessed on 20 May 2025).

with the risks and challenges of the international market and further expand the scale of exports' <sup>(79)</sup>. The Chairman of the Meihua Group also declared that 'Jilin Meihua has received strong support and help from leaders at all level of the province and of the municipality, which has helped Meihua develop rapidly' <sup>(80)</sup>, hence indicating that preferential policies were not limited to tax policies. In 2023, Meihua Group signed an additional agreement with the Jilin Baicheng Municipality Government <sup>(81)</sup>.

(111) Moreover, in its annual report 2024, Meihua Group declares having received governmental support exceeding RMB 35 million through contribution from various industry development guidance funds <sup>(82)</sup>.

(112) Similar support measures are also available in Heilongjiang as indicated by the vice president of Ningxia Eppen Biotechnology Co., Ltd. underlining the 'excellent business environment in the local area, the determination of Heilongjiang Province to vigorously develop the headquarters economy, and the generous tax policies in ethnic minority areas are the main reasons for attracting enterprises to come here' <sup>(83)</sup>.

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

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

### 3.2.6. 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

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

(116) 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 <sup>(84)</sup>.

(117) In addition, the shortcomings of the system of property rights are particularly obvious in relation to ownership of land and land-use rights in China <sup>(85)</sup>. 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 <sup>(86)</sup>. Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land <sup>(87)</sup>.

<sup>(79)</sup> Ibid.

<sup>(80)</sup> See at: [http://www.jlbc.gov.cn/xxgk\\_3148/ywdt/202409/t20240927\\_999796.html](http://www.jlbc.gov.cn/xxgk_3148/ywdt/202409/t20240927_999796.html) (accessed on 20 May 2025).

<sup>(81)</sup> See at: [http://jilin.china.com.cn/2023-11/23/content\\_42606308.html](http://jilin.china.com.cn/2023-11/23/content_42606308.html) (accessed on 23 May 2025).

<sup>(82)</sup> See p. 193, available at: [http://www.sse.com.cn/disclosure/listedinfo/announcement/c/new/2025-03-18/600873\\_20250318\\_U2QP.pdf](http://www.sse.com.cn/disclosure/listedinfo/announcement/c/new/2025-03-18/600873_20250318_U2QP.pdf) (accessed on 21 May 2025).

<sup>(83)</sup> See at: <https://heilongjiang.dbw.cn/system/2023/03/30/059101404.shtml> (accessed on 21 May 2025).

<sup>(84)</sup> Report – Chapter 6, p. 171-179.

<sup>(85)</sup> Report – Chapter 9, p. 260-261.

<sup>(86)</sup> Report – Chapter 9, p. 257-260.

<sup>(87)</sup> Report – Chapter 9, p. 252-254.

(118) 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 chemical, and therefore valine, sector. The present investigation revealed nothing that would call those findings into question.

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

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

(120) A system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. China has not ratified a number of essential conventions of the International Labour Organisation, in particular those on freedom of association and on collective bargaining <sup>(88)</sup>.

(121) 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 <sup>(89)</sup>. 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.

(122) 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 <sup>(90)</sup>. Those findings lead to the distortion of wage costs in China.

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

### 3.2.8. 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

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

(125) First, the Chinese financial system is characterised by the strong position of state-owned banks <sup>(91)</sup>, 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) <sup>(92)</sup> and they regularly implement public policies designed by the GOC.

(126) 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 <sup>(93)</sup>. 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.

<sup>(88)</sup> Report – Chapter 13, p. 360-361, 364-370.

<sup>(89)</sup> Report – Chapter 13, p. 366.

<sup>(90)</sup> Report – Chapter 13, p. 370-373.

<sup>(91)</sup> Report – Chapter 6, p. 137-140.

<sup>(92)</sup> Report – Chapter 6, p. 146-149.

<sup>(93)</sup> Report – Chapter 6, p. 149.

- (127) 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 <sup>(94)</sup>. 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*' <sup>(95)</sup>.
- (128) 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 <sup>(96)</sup>. This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important <sup>(97)</sup>. 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.
- (129) 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.
- (130) Thirdly, 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 <sup>(98)</sup>. Official media in China have recently reported that the CCP called for '*guiding the loan market interest rate downwards*' <sup>(99)</sup>. Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.
- (131) Overall credit growth in the China indicates a worsening efficiency of capital allocation without any signs of credit tightening that would be expected in an undistorted market environment. As a result, non-performing loans have increased rapidly, with the GOC a number of times opting to either avoid defaults, thus creating so called 'zombie' companies, or to transfer the ownership of the debt (e.g. via mergers or debt-to-equity swaps), without necessarily removing the overall debt problem or addressing its root causes.
- (132) In essence, despite the steps that have been taken to liberalize the market, the corporate credit system in China is affected by significant distortions resulting from the continuing pervasive role of the state in the capital markets. Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.

<sup>(94)</sup> The official policy document of the China Banking and Insurance Regulatory Commission of 28 August 2020: *Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022)*, see at: <http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=925393&itemId=928> (accessed on 21 October 2024). The Plan instructs to '*further implement the spirit embodied in General Secretary Xi Jinping's keynote speech on advancing the reform of corporate governance of the financial sector*'. Moreover, the Plan's section II aims at promoting the organic integration of the Party's leadership into corporate governance: '*we shall make the integration of the Party's leadership into corporate governance more systematic, standardised and procedure-based [...] Major operational and management issues must have been discussed by the Party Committee before being decided upon by the Board of Directors or the senior management*'.

<sup>(95)</sup> CBIRC's *Notice on the Commercial banks performance evaluation method*, issued on 15 December 2020, see at: [http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104\\_3638904.htm](http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm) (accessed on 21 October 2024).

<sup>(96)</sup> Report – Chapter 6, p. 157-158.

<sup>(97)</sup> Report – Chapter 6, p. 150-152, 156-160, 165-171.

<sup>(98)</sup> OECD (2019), *OECD Economic Surveys: China 2019*, OECD Publishing, Paris, p. 29, see at: [https://doi.org/10.1787/eco\\_surveys-chn-2019-en](https://doi.org/10.1787/eco_surveys-chn-2019-en) (accessed on 21 October 2024).

<sup>(99)</sup> See at: [http://www.gov.cn/xinwen/2020-04/20/content\\_5504241.htm](http://www.gov.cn/xinwen/2020-04/20/content_5504241.htm) (accessed on 21 October 2024).

- (133) 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.

### 3.2.9. *Systemic nature of the distortions described*

- (134) 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.

- (135) The Commission recalls that in order to produce the product concerned, certain inputs are needed. When the producers of the product concerned purchase/contract these inputs, the prices they pay (and which are recorded as their costs) are clearly exposed to the same systemic distortions mentioned before. For instance, suppliers of inputs employ labour that is subject to the distortions. They may borrow money that is subject to the distortions on the financial sector/capital allocation. In addition, they are subject to the planning system that applies across all levels of government and sectors. These distortions were described in detail above, in particular in recitals (62) to (133). The Commission pointed out that the regulatory setup underpinning those distortions is generally applicable, valine producers being subject to those rules as any other economic operator in China. The distortions have therefore a direct bearing on the cost structure of the product concerned.

- (136) 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.

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

### 3.2.10. *Conclusion*

- (138) In sum, the evidence available showed 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, as shown by the actual or potential impact of one or more of the relevant elements listed therein. On that basis, and in the absence of any cooperation from the GOC, the Commission concluded that it is not appropriate to use domestic prices and costs to establish normal value in this case.

- (139) 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.

### 3.2.11. Representative country

#### 3.2.11.1. General remarks

(140) 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 <sup>(100)</sup>;
- Production of the product under investigation in that country;
- Existence of relevant readily available data in the representative country;
- Where there is more than one possible representative country, preference was given, where appropriate, to the country with an adequate level of social and environmental protection.

(141) As explained in recitals (38) to (39), the Commission issued two notes for the file on the sources for the determination of the normal value: the First Note and the Second Note. 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 Malaysia as an appropriate representative country in the present case if the existence of significant distortions pursuant to Article 2(6a) of the basic Regulation would be confirmed.

#### ***A level of economic development similar to the PRC***

(142) In the First Note, the Commission explained that the product under investigation appeared to be produced only in Brazil and Indonesia, among countries with a similar level of development as the PRC in accordance with the criteria mentioned in recital (140).

(143) In view of the share of Chinese imports into Indonesia affecting the factors of production for valine <sup>(101)</sup> and the absence of readily available information for valine producers in Brazil and Indonesia (as detailed in recitals (154) to (156)), the Commission identified other potential representative countries on the basis of a product in the same general category and/or sector of the product under investigation with (mostly) the same factors of production as valine.

(144) Valine, an amino acid, is produced by fermentation of a carbohydrate sourced from agricultural raw materials such as sugar beet or corn by the interplay of bacterial strains. Thus, the Commission decided to explore other chemical processes requiring natural fermentation of a carbohydrate source and looked at the possibility of using citric acid. Citric acid is a product in the same general category and subcategory of the product under investigation (chemicals, in particular organic acids obtained by fermentation). Like valine, citric acid is an organic chemical product produced by fermentation of agricultural carbohydrates. Citric acid and valine are produced by a fermentation process with regulated steps followed by a crystallisation phase <sup>(102)</sup> and the drying of the crystals. Both valine and

<sup>(100)</sup> World Bank Open Data – Upper Middle Income, <https://data.worldbank.org/income-level/upper-middle-income>.

<sup>(101)</sup> The factors of production affected were: (i) glucose monohydrate and SOD powder, with 83,46 % of imports originating in China; (ii) phosphoric acid, with 82,36 % of imports originating in China; (iii) caustic soda, with 45,11 % of imports originating in China; and (iv) activated carbon, with 46,12 % of imports originating in China. These factors of production amounted to [1-10] % of the total manufacturing cost of the sampled exporting producers.

<sup>(102)</sup> Harjo, B., Ng, K. M., and Wibowo, C., 'Development of Amino Acid Crystallization Processes: l-Glutamic Acid', *Industrial & Engineering Chemistry Research*, 46 (9), 2007, pp. 2814-2822.

citric acid can be sold either in dry matter form (as valine sulphate for the former) or in aqueous solutions, and both products are commonly used by pharmaceutical and food industries. The Commission considered that citric acid, being an essential weak organic acid with extensive use in the pharmaceutical and food industries, was a suitable product of the same subcategory as they have the same core input raw materials, relevant consumables in common, and very similar production processes <sup>(103)</sup>. The Commission concluded that citric acid was an appropriate product in the same subcategory (organic acids obtained by fermentation) as the product under investigation.

(145) The Commission, therefore, indicated it would use the production of citric acid, a similar product to valine, to establish an appropriate representative country for the application of Article 2(6a) of the basic Regulation.

(146) Thus, in the First Note, the Commission identified the following countries with a similar level of economic development as China with production of citric acid: Brazil, Colombia, Thailand and Türkiye.

(147) Following the First Note, Huaheng claimed that the Commission should also investigate the production of citric acid in Indonesia and in Malaysia, which had a similar level of economic development as China.

(148) In the Second Note, the Commission therefore investigated also the production of citric acid in Indonesia and Malaysia.

(149) Following the First Note, Huaheng further claimed that the Commission should investigate whether MSG could be considered as a product of the same general category/sector as the product under investigation.

(150) Since no appropriate representative country could be identified at that stage based on the production of citric acid, in the Second Note, the Commission investigated whether MSG should be considered as a product in the same general category of the product under investigation (chemicals, in particular organic acids obtained by fermentation). Based on the findings in a previous expiry review investigation related to monosodium glutamate <sup>(104)</sup>, MSG, like valine, is an organic chemical product produced by fermentation of agricultural carbohydrates, notably corn starch, one of the main raw materials for the production of valine. Moreover, another raw material for the production of MSG is ammonia <sup>(105)</sup>, as for valine. Furthermore, as for valine, the production process involves a fermentation and a crystallization phase <sup>(106)</sup>. Finally, MSG is used mainly as a food additive, but also for non-food applications <sup>(107)</sup> as is valine. The Commission considered that MSG, being an organic chemical product used for both food and non-food applications, was a product in the same general category, as valine and MSG share the same core input raw materials (agricultural carbohydrates, notably derived from corn starch), other factors of production, applications and have similar production processes. The Commission concluded that, as citric acid, MSG was also a product in the same general category (organic acids obtained by fermentation) as the product under investigation.

(151) The Commission, therefore, indicated it would use also the production of MSG, a similar product to valine, to establish an appropriate representative country for the application of Article 2(6a) of the basic Regulation.

(152) Thus, in the Second Note, the Commission identified the following countries with a similar level of economic development as China with production of MSG: Thailand, Malaysia and Indonesia.

<sup>(103)</sup> In addition, as both citric acid and valine are products used by the pharmaceutical and food industries and are subject to strict quality requirements in their production.

<sup>(104)</sup> Commission Implementing Regulation (EU) 2021/633, recs. (26)-(27), (64) and (75).

<sup>(105)</sup> Ibidem, rec. (65).

<sup>(106)</sup> Ibidem, recs. (26)-(27).

<sup>(107)</sup> Ibidem, rec. (26).

***Existence of relevant readily available data in the representative country***

– *Valine*

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

(154) With regard to Brazil, the company that was identified in the First Note as a producer of valine had no financial data readily available and was therefore not a suitable candidate for the determination of SG&A costs and profit. In the absence of other information on file available to the Commission on the presence of other companies producing valine in Brazil with readily available financial data, the Commission concluded that Brazil could not be considered an appropriate representative country, based on its production of valine.

(155) With regard to Indonesia, likewise the company that was identified in the First Note as a producer of valine had no financial data readily available and was therefore not a suitable candidate for the determination of SG&A costs and profit.

(156) The Commission also analysed the imports of the main factors of production into Indonesia. The analysis of import data showed that the imports into Indonesia of at least four of the most important factors of production were affected to a significant degree by imports from the PRC. In addition, there were market restrictions on corn, the most important factor of production for valine, and on coal, which also represented a significant share of the cost of production for valine could not be excluded as potential sources of distortions. Therefore, Indonesia could not be considered as a suitable representative country, based on its production of valine.

– *Citric acid*

(157) In the First Note the Commission indicated that for the countries identified as countries where citric acid is being produced, i.e. Brazil, Colombia, Thailand and Türkiye, the availability of data needed to be further verified in particular with regard to the readily available financial data from producers of citric acid.

(158) With regard to Brazil, the readily available financial data for the only company producing citric acid dated back to 2020 and was not considered suitable for the investigation period. In addition, more recent data was available for other producers in other possible representative countries. In the absence of other information on file available to the Commission on the presence of other companies producing citric acid in Brazil with readily available financial data, the Commission concluded that Brazil was not suitable to be considered as an appropriate representative country for this investigation, based on its production of citric acid.

(159) With regard to Colombia, the company that was identified in the First Note as a producer of citric acid, namely Sucroal, had readily available financial statements for 2023. Therefore, in the First Note, the Commission informed interested parties that it intended to use the company's financial results as a benchmark, should more recent data become available and if Colombia was selected as a representative country.

(160) Following the First Note, Huaheng claimed that Colombia was not an appropriate representative country because of the low volume of corn starch imports, particularly in comparison to Indonesia (6 444 tonnes or 2,5 % of the Indonesian imports of corn starch), and the very limited imports of activated carbon (592 tonnes) and coal (54 340 tonnes). It also noted that almost all coal imports originated from Venezuela, which was likely to cause distortions.

- (161) In the Second Note, the Commission acknowledged that imports of corn starch into Colombia were lower compared to Indonesia and that imports of activated carbon and coal were low. However, it also noted that in Colombia the number of factors of production affected by a significant share of Chinese imports was lower compared to other countries producing citric acid, such as Thailand, Indonesia and Malaysia. Furthermore, the share of Chinese imports into Colombia for these factors of production was lower compared to Thailand, Indonesia and Malaysia. Moreover, the Commission noted that Huaheng did not show why coal imports originating from Venezuela were likely to distort coal prices in Colombia.
- (162) However, in the Second Note, the Commission also acknowledged that, while Sucroal's financial information for 2024 had become available, the profit reported was negligible (less than 0,5 %), and thus not considered as a basis for a reasonable amount. For this reason, in the Second Note the Commission concluded that Colombia could not be considered as an appropriate representative country in this case.
- (163) With regard to Thailand, in the First Note the Commission identified three companies which manufactured citric acid. The Commission found readily available financial data for the year 2023 for all three companies. In the First Note the Commission concluded that, should Thailand be selected as representative country and if more recent financial data became available, the Commission would have considered the possibility to use it as source for establishing the benchmarks for SG&A costs and profit.
- (164) However, the Commission also analysed the imports of the main factors of production into Thailand. The analysis of import data showed that the imports into Thailand of at least five of the most important factors of production for valine were affected to a significant degree by imports from the PRC, and therefore Thailand could not be considered as a suitable representative country.
- (165) With regard to Türkiye, the readily available financial data for the only company producing citric acid was incomplete and, as a consequence, the Commission, while able to identify the profit, was unable to obtain sufficient financial data to use as a benchmark for the SG&A costs. Therefore, in the absence of other information on file available to the Commission on the presence of other companies producing citric acid in Türkiye with readily available financial data, the Commission concluded that Türkiye was not suitable to be considered as an appropriate representative country for this investigation.
- (166) Following the First Note, Huaheng proposed two producers of citric acid in Indonesia, on the basis of which the Commission could establish a benchmark for SG&A costs and profit, but only provided financial information for one of them (for 2023), i.e. PT. Indo Acidatama Tbk ('Indo Acidatama').
- (167) Therefore, in the Second Note, the Commission noted that Huaheng submitted financial information only for Indo Acidatama. The Commission was also not able to find readily available financial information for the second Indonesian citric acid producer.
- (168) The Commission also analysed the imports of the main factors of production into Indonesia. The analysis of import data showed that the imports into Indonesia of at least four of the most important factors of production were affected to a significant degree by imports from the PRC. In addition, market restrictions on corn, the most important factor of production for valine, and on coal, which also represented a significant share of the cost of production, could not be excluded as potential sources of distortions. Therefore, Indonesia could not be considered as a suitable representative country based on its production of citric acid.
- (169) Following the First Note, Huaheng proposed two producers of citric acid in Malaysia, on the basis of which the Commission could establish a benchmark for SG&A costs and profit, without however submitting any financial information for none of these companies.
- (170) In the Second Note, the Commission indicated that it was able to find the financial information for one of the producers proposed only for 2021, while the financial information for 2023 of the other citric acid producer, M.S. Asia Enterprise Sdn. Bhd. ('Asia Enterprise'), were incomplete.

(171) The Commission also analysed the imports of the main factors of production into Malaysia. The analysis of import data showed that the imports into Malaysia of three factors of production were affected to a significant degree by imports from the PRC.

(172) In any case, the Commission considered that at that stage Malaysia could not constitute an appropriate representative country based on its production of citric acid.

– MSG

(173) Following Huaheng's claim mentioned in recital (149), that the Commission should investigate whether MSG should be considered as a product of the same general category/sector as the product under investigation, the Commission in the Second Note indicated that for the countries identified as countries where MSG is being produced, i.e. Thailand, Malaysia and Indonesia, the availability of data needed to be further verified in particular with regard to the readily available financial data from producers of the product under investigation.

(174) With regard to Thailand, however, in the Second Note the Commission concluded that selecting Thailand as a representative country in this case would not be appropriate considering its MSG production because its share of imports from China was so high (for at least five of the most important factors of production for valine) that other countries producing MSG as Malaysia and Indonesia with lower shares of imports from China for the main factors of production would be more appropriate. Therefore, the Commission did not further investigate the availability of financial data of producers of MSG in Thailand.

(175) With regard to Indonesia, in the Second Note the Commission noted that Huaheng had not suggested any producer of MSG in Indonesia with readily available financial information. The Commission found two producers of MSG in Indonesia. However, for one of them, no financial data were available, whereas, for the other one, the latest financial data available on the Orbis database <sup>(108)</sup> dated back to 2001.

(176) In any case, the Commission noted that Indonesia had significant imports from China for four factors of production for valine. The number of factors of production for which imports from China constituted a significant share, as well as the importance of these shares, were lower compared to Thailand but higher compared to Malaysia. Therefore, the Commission concluded that selecting Indonesia as a representative country based on its production of MSG would not be appropriate in the current case due to the lack of updated financial information and its high share of imports from China (ranging from 45 % to 83 % of the imports) for at least four of the most important factors of production. In addition, market restrictions on corn, the most important factor of production for valine, and on coal, which also represents a significant share of the cost of production, could not be excluded as potential sources of distortions.

(177) With regard to Malaysia, in the Second Note the Commission identified two producers of MSG: Ajinoriki MSG (Malaysia) SDN. BHD. ('Ajinoriki Malaysia') and Ajinomoto Malaysia. The financial data for Ajinoriki Malaysia were readily available, but dated back to 2022 and was, therefore, too far removed from the investigation period. For Ajinomoto Malaysia, the Commission found readily available financial statements for the fiscal year 2024 (Q2 2023-Q1 2024), which partially overlapped with the investigation period.

(178) The Commission found that Malaysia had significant imports from China for three factors of production for valine. The number of factors of production for which imports from China constituted a significant share, as well as the importance of these shares, were, however, lower compared to Indonesia and Thailand, the two other countries producing MSG.

<sup>(108)</sup> <https://orbis-r1.bvdinfo.com/version-20250325-6-0/Orbis/1/Companies/Search>.

(179) Moreover, when analysing the average import prices in Malaysia of the three factors of production in question, the Commission found that the average price of imports from the rest of the world remained at least 18 % higher than the price of imports from China and countries not members of the WTO and listed in Annex I to Regulation (EU) 2015/755 of the European Parliament and of the Council<sup>(109)</sup>. Therefore, the Commission concluded that import prices from the rest of the world into Malaysia of the three factors of production did not follow import prices from China. Moreover, volumes of imports of such factors of production from the rest of the world remained representative, with at least 1 417 tonnes imported during the investigation period for each of them. For these reasons, the Commission considered that the import price into Malaysia for the three factors of production in question constituted a reliable benchmark.

(180) Therefore, in the Second Note the Commission concluded that selecting Malaysia as a representative country would have been appropriate in the current case due to the more limited share of imports from China, compared to Indonesia and Thailand, the other countries producing MSG.

(181) In light of the above considerations, the Commission informed the interested parties with the Second Note that it intended to use Malaysia as an appropriate representative country and the company Ajinomoto Malaysia, in accordance with Article 2(6a)(a), first indent of the basic Regulation in order to source undistorted prices or benchmarks for the calculation of normal value.

(182) Interested parties were invited to comment on the appropriateness of Malaysia as a representative country and of Ajinomoto Malaysia as producer in the representative country.

– *Comments following the Second Note*

(183) Following the Second Note, the Commission received comments from CJS, Huaheng and the complainant.

(184) Huaheng claimed that Indonesia would be the most appropriate representative country because it produced valine and had higher imports of corn, corn starch, ammonia liquid, coal, low sulphur coal and activated carbon compared to Brazil, the other valine producing country. Moreover, Huaheng contested the qualification of the factors of production affected by a significant share of Chinese imports into Indonesia as some of the 'most important factors of production'. According to Huaheng, apart from activated carbon, which weighted for more than 2 % in the cost of production of valine, the other factors of production in question weighted for less than 2 % of the cost of production and could not be qualified as some of the 'most important' factors of production. In particular, concerning activated carbon, Huaheng claimed that (i) also in Malaysia more than 40 % of the imports originate in China; (ii) imports into Indonesia from other countries are higher than for Malaysia; and (iii) the average import price from other countries into Indonesia is in line with the average import price in Türkiye, for which the Commission did not identify issues of distortion. Concerning glucose monohydrate and SOD powder, Huaheng claimed that all possible representative countries are affected by Chinese imports. Concerning phosphoric acid, Huaheng argued that its average import price into Indonesia from other countries was in line with its import price into Malaysia and higher than the import price into Brazil and Türkiye. Concerning caustic soda, Huaheng claimed that the average import price into Indonesia from other countries was higher than in Malaysia, Colombia and Brazil and in line with Türkiye, for which the Commission did not identify issues of distortion. Huaheng also claimed that market restrictions on corn and coal in Indonesia did not have distortive effects because (i) the average import price of corn was identical to that of Malaysia; (ii) Indonesia imported more corn than Brazil and about the same amount as Thailand; and (iii) the average import price of coal was comparable to that of Malaysia and Brazil and higher than Thailand. Finally, Huaheng submitted updated financial data for Indo Acidatama, for 2024, the producer of citric acid in Indonesia, for which it provided financial data for 2023 following its comments to the First Note. Huaheng thus argued that this data was more recent than the financial data of Ajinomoto Malaysia.

<sup>(109)</sup> 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>).

- (185) Huaheng's comments did not remedy the fact that there were no financial data readily available for the producer of valine in Indonesia identified in the First Note. Therefore, in view of the submission of updated financial data for a producer of citric acid in Indonesia, the appropriateness of Indonesia as a representative country has to be assessed in comparison to other possible representative countries producing citric acid.
- (186) Concerning the qualification of certain factors of production as '*most important*', the Commission noted that they were all considered individually in Annex I of the Second Note due to their weight in the cost of production and were not included in consumables. For the factors considered individually, Chinese imports into Indonesia affected four factors with a share between 45 % and 83 % of total imports of each factor <sup>(110)</sup>. On the contrary, Chinese imports into Malaysia affected three factors with a share between 49 % and 81 % of total imports of each factor <sup>(111)</sup> and Chinese imports into Colombia affected three factors with a reduced share between 36 % and 65 % of total imports of each factor <sup>(112)</sup>. Such data support the view that imports into Indonesia are in principle more likely distorted compared to imports in Malaysia and Colombia, other countries producing citric acid.
- (187) Moreover, the analysis on prices provided by Huaheng appears to be based on cherry-picking the other possible representative countries with which Indonesia is compared to. Indeed, Huaheng insisted on comparing Indonesia with Brazil and Türkiye, which, by the time of the Second Note, were considered not appropriate, rather than comparing Indonesia with Malaysia and Colombia, which were the other possible appropriate representative countries the Commission was analysing in the Second Note. Moreover, Huaheng's analysis does not necessarily show that import prices into Indonesia are not distorted. For example, comparing Indonesia with Malaysia and Colombia, Indonesia imported less corn than Malaysia and Colombia. This fact may be due to the import ban on corn identified in the First Note, contrary to Huaheng's claim that the ban did not have distortive effect on corn in Indonesia.
- (188) Therefore, in conclusion, even though updated financial data for a producer of citric acid were provided, Indonesia appears to be more affected by Chinese distorted exports than Malaysia and Colombia. Moreover, Indonesia is the only country for which relevant market restrictions were detected. These distortions have an effect on the reliability of the financial data of the producer of citric acid in Indonesia. Therefore, Huaheng's claims in this regard were rejected.
- (189) CJS claimed that Ajinomoto Malaysia had stopped producing MSG in Malaysia before the investigation period, based on information from the Notice of Initiation of Investigation and Interim Measures – EPA Consolidated Case 7950 issued by the United States Customs and Border Protection <sup>(113)</sup> and on Ajinomoto Malaysia's 2024 annual report. Ajinomoto Malaysia currently only carried out the activity of a trader and distributor, but not a producer of MSG. As a consequence, according to CJS, the Commission could not take into account Ajinomoto Malaysia for the purpose of identifying a benchmark for SG&A costs and profit. In the event that the Commission still considered Ajinomoto Malaysia, CJS requested to use a different allocation key for distinguishing Costs of Goods Sold ('COGS') and SG&A costs from total expenses in Ajinomoto Malaysia's profit and loss accounts, whereas Huaheng requested to exclude

<sup>(110)</sup> These were: (i) glucose monohydrate and SOD powder, with 83,46 % of imports originating in China; (ii) phosphoric acid, with 82,36 % of imports originating in China; (iii) caustic soda, with 45,11 % of imports originating in China; and (iv) activated carbon, with 45,11 % of imports originating in China. They amounted to [1-10] % of the total manufacturing cost of the sampled exporting producers.

<sup>(111)</sup> These were: (i) glucose monohydrate and SOD powder, with 80,55 % of imports originating in China; (ii) activated carbon, with 48,96 % of imports originating in China; and (iii) acetic acid, with 68,38 % of imports originating in China. They amounted to [1-6] % of the total manufacturing cost of the sampled exporting producers.

<sup>(112)</sup> These were: (i) glucose monohydrate and SOD powder, with 36,38 % of imports originating in China; (ii) phosphoric acid, with 65,30 % of imports originating in China; and (iii) activated carbon, with 39,59 % of imports originating in China. They amounted to [1-8] % of the total manufacturing cost of the sampled exporting producers.

<sup>(113)</sup> Notice of Initiation of Investigation and Interim Measures – EPA Consolidated Case 7950, 9 July 2024, p. 3.

distribution expenses from Ajinomoto Malaysia's SG&A costs. Moreover, CJS recalled that imports into Malaysia were more distorted than imports into Colombia based on the share of Chinese imports, and that Ajinomoto Malaysia's data were less detailed than the profit and loss account of Sucroal, the producer of citric acid identified in Colombia. Furthermore, Huaheng claimed that, for most of the main FOPs, import volumes into Malaysia were lower compared to those into Indonesia. Finally, in the event that the Commission still considered Malaysia as an appropriate representative country, CJS requested to exclude from the benchmark calculation for acetic acid the imports into Malaysia from the United Kingdom due to their high unit price.

(190) The Commission found the claim concerning Ajinomoto Malaysia's stop of production of MSG to be grounded and agreed that Ajinomoto Malaysia's financial data could not be used as a source for the benchmark for SG&A costs and profit. Therefore, the Commission did not need to analyse the remaining claims with regard to Ajinomoto Malaysia. After addressing the comments on the Second Note, the Commission continued to investigate whether Malaysia could be still considered an appropriate representative country as of recital (199). Therefore, the remaining claims as regards Malaysia were addressed in recital (201).

(191) Huaheng claimed that, in the annexes to the Second Note, only data on imports into Malaysia from countries other than China had been disclosed, and not also data on imports from China.

(192) The Commission found this claim to be justified and disclosed the imports into Malaysia from China in the open file.

(193) Moreover, Huaheng claimed that Brazil was not appropriate as representative country since it accounted for only a minimal share (just 2 %) of Indonesia's imports of corn starch.

(194) The Commission noted that, as recalled in recitals (154) and (158), it had already concluded that Brazil was not an appropriate representative country because of the lack of readily available financial data in the case of the valine producer, and of outdated financial data in the case of the citric acid producer. Therefore, this claim was rejected.

(195) Huaheng further claimed that Türkiye was not an appropriate representative country because import volumes of corn starch would be extremely low only amounting to 0,5 % of imports into Indonesia, that Huaheng considered the most appropriate representative country. Moreover, Türkiye was affected by inflation and the Turkish lira had been devaluated compared to the euro.

(196) The Commission noted that, as recalled in recital (165), it had already concluded that Türkiye was not an appropriate representative country because of the incompleteness of financial data for the citric acid producer identified in the First Note. Therefore, this claim was rejected.

(197) Finally, Huaheng reiterated that Colombia was not an appropriate representative country because of low imports of corn starch, coal and activated carbon.

(198) The Commission noted that it had already addressed this comment in the Second Note, as recalled in recital (161) above.

(199) Based on the comments received following the Second Note, the Commission concluded as set out in recital (190) that the financial data of Ajinomoto Malaysia as a producer of MSG could not be used as a benchmark for reasonable amounts for SG&A costs and for profit. Therefore, the Commission considered whether the financial data of the second producer of MSG in Malaysia, Ajinoriki Malaysia, could be used.

- (200) However, besides the fact that the latest financial data available for Ajinoriki Malaysia dated back to 2022, as set out in recital (177), Ajinoriki Malaysia was found to be engaged in circumvention practices in a recent Commission's investigation in relation to MSG <sup>(114)</sup>. Consequently, its financial data could not be relied on to identify undistorted benchmarks for SG&A costs and profit, as they derive also from the transshipment of Chinese MSG through Malaysia and not only from genuine production <sup>(115)</sup>.
- (201) Therefore, the Commission could not consider Malaysia, based on its production of MSG, as an appropriate representative country anymore. It followed that the Commission did not need to address the remaining comments as regards Malaysia reported in recital (189).
- (202) In addition, for the reasons set out in recitals (174) to (176), none of the other two countries with production of MSG, i.e. Indonesia or Thailand, could be considered as appropriate representative countries.
- (203) Given that none of the potential representative countries producing valine and MSG was suitable and given that Huaheng provided financial data of Indo Acidatama a producer of citric acid in Indonesia for 2024, the Commission re-examined whether any of the potential representative countries producing citric acid could be considered suitable.
- (204) In this respect, as indicated in recital (185) above, while Indo Acidatama's data are the most recent available, Indonesia's imports are more affected by significant shares of Chinese imports compared to Malaysia and Colombia. As explained in recital (170) above, for Malaysia, only incomplete financial data dating back to 2023 are available for a producer of citric acid, Asia Enterprise. However, as regards Colombia, 2023 data were available for Sucroal. While in recital (162) above the Commission has concluded that Sucroal's 2024 financial data were not appropriate because of its low profit margin that was not considered representative, the Commission re-examined the Sucroal's 2023 financial data and considered them to be sufficiently representative, in particular Sucroal's 2023 data overlapped with the investigation period by one quarter. Therefore, and taking also into consideration the analysis concerning imports of factor of production as set out in recital (161), the Commission decided to rely on Colombia as a representative country and on Sucroal's 2023 financial data in order to identify undistorted benchmarks.
- (205) Following the Second Note, CJS requested, in the event of the selection of Colombia as a representative country, to exclude from the calculation of the benchmarks outliers in import data indicated in CJS's comments on the First Note.
- (206) However, the Commission was unable to find in CJS's comments on the First Note any indication of such outliers with respect to Colombia and could only find such indication with respect to Thailand, which did not need to be addressed as Thailand was not selected as an appropriate representative country. Therefore, this claim was rejected.

### ***Level of social and environmental protection***

- (207) Having established that Colombia 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.

#### **3.2.11.2. Conclusion**

- (208) In view of the above analysis, Colombia 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.

<sup>(114)</sup> Commission Implementing Regulation (EU) 2025/698 of 10 April 2025 extending the definitive anti-dumping duty imposed by Implementing Regulation (EU) 2021/633 on imports of monosodium glutamate originating in the People's Republic of China to imports of monosodium glutamate consigned from Malaysia, whether declared as originating in Malaysia or not (OJ L, 2025/698, 11.4.2025, ELI: [http://data.europa.eu/eli/reg\\_impl/2025/698/oj](http://data.europa.eu/eli/reg_impl/2025/698/oj)), rec. (60).

<sup>(115)</sup> Ibidem, rec. (44).

### 3.2.12. Sources used to establish undistorted costs

- (209) In the First Note, the Commission listed the factors of production such as materials, energy and labour used in the production of the product under investigation by the exporting producers and invited the interested parties to comment and propose readily available information on undistorted values for each of the factors of production mentioned in that note.
- (210) Subsequently, in the Second Note, the Commission stated that, in order to construct the normal value in accordance with Article 2(6a)(a) of the basic Regulation based on Malaysia as a representative country, it would use Global Trade Atlas ('GTA') <sup>(116)</sup> to establish the undistorted cost of most of the factors of production, notably the raw materials. In addition, the Commission stated that it would use the Department of Statistics of Malaysia for establishing undistorted costs of labour <sup>(117)</sup>, the Tenaga Nasional Berhad for electricity <sup>(118)</sup>, and the National Water Services Commission (SPAN) for water <sup>(119)</sup>.
- (211) Following the Second Note, CJS requested the Commission to share the detailed calculations concerning labour, electricity and water.
- (212) The Commission recalled that it is its usual practice to disclose such calculations at pre-disclosure stage. However, since the Commission decided to resort to Colombia, rather than Malaysia, as an appropriate representative country, at pre-disclosure stage the Commission disclosed the detailed calculations with respect to Colombia only.
- (213) Following the Second Note, the Commission concluded in recital (208) that Colombia is the appropriate representative country. The Commission used GTA to establish the undistorted cost of most of the factors of production, notably the raw materials and coal. In addition, the Commission used the statistics of the International Labour Organisation ('ILO') for establishing undistorted costs of labour <sup>(120)</sup>, the industrial and commercial tariff offered by a major electricity provider in Colombia, Enel S.A. ('Enel Colombia'), for undistorted costs of electricity <sup>(121)</sup>, and the water rates offered by the water supplier of Bogotá, the capital of Colombia, Acueducto S.A. ('Acueducto'), for undistorted costs of water <sup>(122)</sup>.
- (214) In the Second Note, the Commission also informed the interested parties that due to the large number of factors of production of the sampled exporting producers that provided complete information and the negligible weight of some of the raw materials in the total cost of production, these negligible items were grouped under 'consumables'. Furthermore, the Commission informed in the Second Note that it will 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. This approach was retained also with Colombia as an appropriate representative country.

#### 3.2.12.1. Factors of production

- (215) 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:

<sup>(116)</sup> <https://connect.ihsmarkit.com/gta/home>.

<sup>(117)</sup> [http://www.dosm.gov.my/uploads/release-content/file\\_20241108110530.pdf](http://www.dosm.gov.my/uploads/release-content/file_20241108110530.pdf).

<sup>(118)</sup> <https://www.tnb.com.my/commercial-industrial/pricing-tariffs1>.

<sup>(119)</sup> <https://www.span.gov.my/document/upload/n8sVd7sPHPq3A68TTVeLYLvjiU1sC3Ta.pdf>.

<sup>(120)</sup> <https://ilostat.ilo.org/data/>.

<sup>(121)</sup> <https://www.enel.com.co/en/people/energy-rates.html>.

<sup>(122)</sup> <https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas2023>; [https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas\\_2024](https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas_2024).

Table 1

**Factors of production of valine**

| Factor of Production                               | Commodity Code <sup>(123)</sup> | Source of data                                             | Undistorted value     | Unit of measurement |
|----------------------------------------------------|---------------------------------|------------------------------------------------------------|-----------------------|---------------------|
| <b>Raw materials</b>                               |                                 |                                                            |                       |                     |
| Corn                                               | 1005 90 11 <sup>(124)</sup>     | GTA                                                        | 1,69 <sup>(125)</sup> | CNY/kg              |
| Corn starch                                        | 1108 12                         | GTA                                                        | 6,18 <sup>(126)</sup> | CNY/kg              |
| Glucose monohydrate and sod powder/powder/r-temp/c | 1702 30                         | GTA                                                        | 5,59                  | CNY/kg              |
| Phosphoric acid                                    | 2809 20                         | GTA                                                        | 8,50                  | CNY/kg              |
| Ammonia liquid                                     | 2814 10                         | GTA                                                        | 3,93                  | CNY/kg              |
| Caustic soda (naoh30 %)/liquid/r-temp/cn           | 2815 12                         | GTA                                                        | 1,98                  | CNY/kg              |
| Acetic acid/C2H4O2/liquid/r-temp/cn                | 2915 21                         | GTA                                                        | 6,28                  | CNY/kg              |
| Activated carbon                                   | 3802 10                         | GTA                                                        | 22,26                 | CNY/kg              |
| <b>Labour</b>                                      |                                 |                                                            |                       |                     |
| Labour                                             | N/A                             | ILO                                                        | 20,44                 | CNY/hour            |
| <b>Energy</b>                                      |                                 |                                                            |                       |                     |
| Coal                                               | 2701 12 00 10,<br>2701 12 00 90 | GTA                                                        | 0,62                  | CNY/kg              |
| Electricity                                        | N/A                             | Rates of Colombian provider Enel Colombia <sup>(127)</sup> | 1,46                  | CNY/kWh             |
| Water                                              | N/A                             | Rates of Colombian provider Acueducto <sup>(128)</sup>     | 8,47                  | CNY/m <sup>3</sup>  |

<sup>(123)</sup> Until 6 digits as defined in the Harmonized System of the World Customs Organization (WCO).

<sup>(124)</sup> While relevant codes include also 1005 90 10, 1005 90 90, 1005 90 99 and 1005 90 00 00 19, GTA data were retrieved only under code 1005 90 11.

<sup>(125)</sup> Price adjusted to reflect the premium of non-GMO corn, see recital (224).

<sup>(126)</sup> Price adjusted to reflect the premium of non-GMO corn, see recital (224).

<sup>(127)</sup> <https://www.enel.com.co/en/people/energy-rates.html>.

<sup>(128)</sup> <https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas2023>; [https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas\\_2024](https://www.acueducto.com.co/wps/portal/EAB2/Home/atencion-al-usuario/tarifas/tarifas_2024).

| Factor of Production                                                                               | Commodity Code <sup>(123)</sup> | Source of data | Undistorted value | Unit of measurement |
|----------------------------------------------------------------------------------------------------|---------------------------------|----------------|-------------------|---------------------|
| <b>By-products</b>                                                                                 |                                 |                |                   |                     |
| Corn germ                                                                                          | 1104 30                         | GTA (*)        | Pro rata (*)      | CNY/kg              |
| Protein powder                                                                                     | 2309 90                         | GTA (*)        | Pro rata (*)      | CNY/kg              |
| Corn hull 40kg, Corn gluten feed, corn protein powder and glycoprotein                             | 2302 10                         | GTA (*)        | Pro rata (*)      | CNY/kg              |
| Corn germ meal 40kg, cn_sy csl(sale), cn_sy corn gluten 40kg, corn husk and corn syrup/milk        | 2303 10                         | GTA (*)        | Pro rata (*)      | CNY/kg              |
| (*) GTA data used were GTA data for corn (customs code 10059011). For pro rata, see recital (246). |                                 |                |                   |                     |

(216) Following the Second Note, the complainant claimed that the Commission should take into account the low production efficiency of Chinese exporting producers and the ensuing quantities of factors of production needed in the determination of the normal value.

(217) The Commission used in the calculation of the normal value the quantities and FOPs reported by the sampled exporting producers and verified by the Commission. The complainant did not explain how the alleged low efficiency should be taken into account in these calculations. Therefore, this claim was rejected.

(218) For the conversion of Colombian pesos (COP) prices to Chinese yuan (CNY) the Commission used the conversion rate for the investigation period of COP to EUR and the conversion rates for the investigation period of EUR and CNY available via the European Central Bank. The conversion rate was 1 COP = 0,00181 CNY.

(219) In addition, 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 used the sampled exporting producers' reported costs of manufacturing that had not been included in the individual FOP above. The methodology is duly explained in recital (255) below.

#### *Raw materials*

(220) In order to establish the undistorted price of raw materials as delivered at the gate of a representative country producer, the Commission used as a basis the weighted average import price to Colombia as reported in 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 countries which are not members of the WTO, listed in Annex 1 of Regulation (EU) 2015/755 <sup>(129)</sup>. The Commission decided to exclude imports from the PRC into the representative country as it concluded in recitals (138) and (139) 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.

<sup>(123)</sup> Until 6 digits as defined in the Harmonized System of the World Customs Organization (WCO).

<sup>(129)</sup> Regulation (EU) 2015/755 on common rules for imports from certain third countries. Article 2(7) of the basic Regulation considers that domestic prices in those countries cannot be used for the purpose of determining normal value.

- (221) With regard to import duties, the Commission found in the International Trade Centre's Market Access Map <sup>(130)</sup> that import duties were applicable upon import into Colombia to four factors of production: corn, corn starch, glucose monohydrate and SOD, and activated carbon. The import duties were added to the total CIF value of the factors of production imported into Colombia, where applicable and at the level warranted by the origin of the factors of production imported. The benchmark for these factors of production, i.e. the import unit price, was calculated on the duty-paid value.
- (222) The Commission expressed the transport cost incurred by the sampled exporting producers 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.
- (223) Following the Second Note, the complainant claimed that the Commission should add to the price of corn obtained from GTA a mark-up accounting for the fact that non-genetically modified corn ('non-GMO corn'), which is more expensive than genetically modified corn ('GMO corn'), was used in China. The complainant quantified such adjustment in 6,5 %, in line with the lysine investigation <sup>(131)</sup>.
- (224) The Commission found this claim to be justified. Indeed, the sampled exporting producers sourced the corn and the corn starch from domestic Chinese suppliers. Based on publicly available information <sup>(132)</sup>, the corn produced in China is generally non-GMO. Moreover, Colombia imports corn mostly from the US. As found in the lysine investigation <sup>(133)</sup> and confirmed by publicly available information <sup>(134)</sup>, the adoption rate of GMO corn in the US is high. Since non-GMO corn carries a premium vis-à-vis GMO corn, the price of corn imported to Colombia was thus adapted to reflect the difference in price. The data used was the prices of non-GMO feed grade corn in the US market during the investigation period sourced from the publicly available weekly reports of the United States Department of Agriculture <sup>(135)</sup> and the premium awarded for non-GMO feed grade corn in the US market during the investigation period sourced from the Fastmarkets.com site. Such premium, which constituted the difference in price, amounted to 5,7 % of the price of GMO corn.
- (225) Following the Second Note, the complainant also claimed that the Commission should add the packaging to the factors of production because it contributed significantly to the production cost.
- (226) The Commission noted that, when defining product types based on factors that had an influence on cost or prices according to the established product control number ('PCN') structure for the comparison purposes *inter alia* between the product concerned manufactured by the Union industry and that manufactured by the Chinese exporting producers, packaging costs were not taken into consideration. As a result, packaging was taken into account as an allowance in the export price, in accordance with Article 2(10)(f) of the basic Regulation. Therefore, this claim was rejected.
- (227) Moreover, following the Second Note, the complainant claimed that prices recorded in GTA for coal referred to coal with low calorific value, and that therefore the Commission should adjust upwards the volume of coal needed for the production of valine.

<sup>(130)</sup> <https://www.macmap.org/>.

<sup>(131)</sup> Commission Implementing Regulation (EU) 2025/74 of 13 January 2025 imposing a provisional anti-dumping duty on imports of lysine originating in the People's Republic of China (OJ L, 2025/74, 14.1.2025, ELI: [http://data.europa.eu/eli/reg\\_impl/2025/74/oj](http://data.europa.eu/eli/reg_impl/2025/74/oj)), rec. (184).

<sup>(132)</sup> <https://ukragroconsult.com/en/news/china-corn-breeders-ready-for-doubling-of-gmo-planting-in-2024-sources/>.

<sup>(133)</sup> Commission Implementing Regulation (EU) 2025/74, rec. (184).

<sup>(134)</sup> <https://www.ers.usda.gov/data-products/adoption-of-genetically-engineered-crops-in-the-united-states/recent-trends-in-ge-adoption>.

<sup>(135)</sup> <https://usda.library.cornell.edu/concern/publications/zw12z530q?locale=en>.

- (228) The Commission noted that the complainant did not justify that prices recorded in GTA for coal referred to coal with low calorific value and did not explain how they should be adjusted. In any case, the Commission's methodology accounts for the actual amounts of coal used by the sampled exporting producers to produce valine. Therefore, it already takes into account the calorific value of the coal used. Therefore, this claim was rejected.
- (229) Furthermore, following the Second Note, the complainant claimed that the Commission should add inland transportation costs to the prices of the factors of production obtained from GTA, because such prices were CIF.
- (230) In line with its practice, as indicated in recital (222) above, the Commission applied the transport costs reported for each factor of production by the sampled exporting producers, expressed as a percentage of the raw material costs, to the benchmarks for the relevant factors of production. Therefore, this claim was rejected.
- (231) Finally, following the Second Note, the complainant claimed that GMO bacteria were usually needed in the fermentation. According to the complainant, the cost of royalties for GMO bacteria corresponded to 1-5 % of the production cost and should be included as a factor of production.
- (232) The Commission noted that, while one Chinese exporting producer paid royalties in relation to valine, there was no evidence on file that the payment of royalties was linked to GMO bacteria. Therefore, this claim was rejected.
- (233) 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 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 as explained in the Second Note and in recital (214) above.
- (234) Following the Second Note, the complainant claimed that two factors of production (not indicated in the non-confidential version of the comments) should not be considered consumables, because their contribution to the production cost was significant and comparable to some other unspecified factors of production which were not consumables.
- (235) The Commission noted that the two factors of production in question were not significant in terms of contribution to the cost of production as each of them amounted to a negligible share of the cost of manufacturing of the sampled exporting producers. In addition, all the factors of production considered individually had a higher weight in the cost of manufacturing compared to the two inputs in question. Therefore, this claim was rejected.

### ***By-products***

- (236) In the Second Note, the Commission indicated that it analysed the accounting practices of the sampled Chinese exporting producers pertaining to by-products/waste. The Commission added that depending on the findings during the verification visits at the premises of the sampled exporting producers, the Commission would decide on the appropriate way to calculate the benchmarks for the by-products/waste.

- (237) Following the Second Note that proposed Malaysia as an appropriate representative country, CJS suggested to use the simple average import price of by-products/waste into Malaysia based on GTA, rather than the weighted average, because of the wide price spread in imports into Malaysia, which made import prices from the countries that export in large volumes overrepresented even though prices from such countries were not representative of international prices. The complainant concurred that this claim by CJS supported its view that GTA prices were based on customs codes which were too broad and did not differentiate products classified within them. In particular, the complainant claimed that the by-products generated from corn wet milling were mainly used for feed, for which the price ranges were significantly lower than for food products. According to the complainant, GTA prices were not accurate enough also because the prices obtained from GTA did not differentiate between the food or feed use, according to the complainant. Furthermore, the complainant claimed that, while the trade data account for the production steps needed between the point of separation from the production of valine and the point at which the co-products become tradable, the energy required for the co-products to acquire this higher value will not necessarily have been reported by the exporting producers as it is usually recorded separately. In this respect, in a reaction to the complainant's comments, CJS replied that it had reported all material cost for the by-products.
- (238) The Commission found that the GTA import prices into the representative country (not only Malaysia as proposed in the Second Note, but also Colombia, selected in recital (207)) reflected the price for by-products in a tradable form and did not reflect the cost of production of the by-products. Therefore, the Commission discarded this option.
- (239) Following the Second Note, CJS proposed to value the by-product based on the GTA import prices, minus the cost of processing the pure by-product into the by-product in the form which is sold.
- (240) The Commission noted that such proposal would lead to considering processing costs in China as reliable, because it would reduce the GTA import prices by the processing costs of the Chinese sampled exporting producers. In any case, this methodology would be based on the GTA import prices as benchmark, that the Commission already rejected. Therefore, this proposal was rejected.
- (241) Instead, the complainant, following the Second Note, obtained alternative public sources for the prices of the by-products from databases and communications with suppliers and traders.
- (242) The Commission would consider such alternative public sources only in case there was not a more appropriate method to value the by-products.
- (243) Following the Second Note, the complainant argued that by-products should be valued in relation to the price of corn, in line with the lysine investigation <sup>(136)</sup>. In this respect, CJS had claimed in its comments on the First Note that the price of the by-products had no direct link to the price of corn from which they were produced. According to CJS, by-product prices followed their own individual market flows and had their own unique rates and supply and demand competitive conditions. According to CJS, this could be demonstrated by comparing the unit prices of corn and its by-products that it provided in its questionnaire reply. Therefore, according to CJS, using the value of corn to construct the value of the by-products would not be reasonable as there was no link between the two and CJS reiterated that GTA imports prices were more appropriate.
- (244) As anticipated in the Second Note, the Commission analysed the accounting practices of the sampled Chinese exporting producers pertaining to by-products and researched prices available for them. The Commission found that the Chinese exporting producers accounted for the by-products based on their selling price. Such selling price was not, therefore, the actual cost of production of the by-products.

<sup>(136)</sup> Implementing Regulation (EU) 2025/74, rec. (188).

- (245) Moreover, the main categories of by-products reported by one of the sampled exporting producers are those that arose from using corn as the main input material, e.g. corn germ, corn germ meal, corn hull, whereas the by-product reported by the other sampled exporting producer arose from using corn starch as the main input material, i.e. protein powder. The diversity of prices found in the GTA data reflected the different characteristics and uses of products included under these by-product categories. The Commission noted that, although the prices of by-products can be to some extent driven by specific market dynamics, the complainant has shown in its comments on the Second Note that there was a price ratio between corn on the one side, and corn gluten meal and corn gluten feed on the other side, during the investigation period. Such trend was stable enough to contradict CJS's claim that the two prices were not related.
- (246) Thus, for by-products, the Commission provisionally took the ratio between the price in the PRC for the by-product compared to the price in the PRC for the main input material, i.e. corn or corn starch, depending on the sampled exporting producer, as reported by them. This ratio was applied to the price for corn or corn starch in Colombia, as derived from GTA and as adjusted by the non-GMO factor, in order to calculate the benchmark for these by-products.

### **Labour**

- (247) The ILO publishes detailed information on wages in different economic sectors in Colombia. The Commission used the latest available statistics covering the investigation period for average labour cost in the manufacturing cost in Colombia. The average monthly value in the investigation period has been duly adjusted for other contributions by adding the social security paid by the employer including pension and professional risk tax: 12 % as employer contribution to the pension fund, 8,5 % for health insurance, 6,5 % for payroll taxes, and 4,35 % as risk premium. The average hourly labour cost per FTE amounts to 20,44 CNY/labour-hour.

### **Electricity**

- (248) The price of electricity for companies (industrial users) in Colombia is published by Enel Colombia. The Commission used the data on the industrial electricity prices in the corresponding consumption band in CNY/kWh covering the investigation period. The average electricity cost amounts to 1,46 CNY/kWh.
- (249) Following the Second Note, that proposed Malaysia as an appropriate representative country, the complainant claimed that electricity prices in Malaysia had not been adjusted since 2014, but a price increase had been announced, without affecting the investigation period though. The complainant requested the Commission to apply an upward correction factor to the benchmark.
- (250) As the Commission eventually resorted to Colombia as an appropriate representative country, it did not need to address this claim.

### **Water**

- (251) The price of water for non-consumer users in Colombia is published by the water supplier of Bogotá, Acueducto. The Commission used the data published for the IP. The average water cost amounts to 8,47 CNY/m<sup>3</sup>.

### **Manufacturing overhead costs, SG&A costs and profits**

- (252) 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.

- (253) To establish an undistorted and reasonable amount for SG&A accosts and for profit, the Commission relied on the financial data for 2023 for the Colombian company Sucroal, as extracted from an official database maintained by the Colombian authorities <sup>(137)</sup>, as a basis for the establishment of SG&A costs and profit rates to construct the normal value.
- (254) The Commission considered that the rates so established would lead to amounts for SG&A costs and for profit within the meaning of Article 2(6a) of the basic Regulation that are reasonable for the ex-works level of trade.
- (255) The manufacturing overheads incurred by the sampled exporting producers were expressed as a share of the costs of manufacturing actually incurred by the exporting producers. This percentage was applied to the undistorted costs of manufacturing.

#### 3.2.13. Calculation

- (256) 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.
- (257) First, the Commission established the undistorted manufacturing costs. The Commission applied the undistorted unit costs to the actual consumption of the individual factors of production of the sampled exporting producers. These consumption rates were verified during the on-spot verification at the premises of the sampled exporting producers. The Commission multiplied the usage factors by the undistorted costs per unit observed in the representative country, as described in Section 3.2.12.
- (258) To establish undistorted costs of production, as explained in recital (255), the Commission first added manufacturing overheads to the undistorted cost of manufacturing, on the basis of the ratio between manufacturing overheads and costs of material as reported by each sampled exporting producer.
- (259) Once the undistorted manufacturing cost was established, the Commission applied the SG&A costs and profit as noted in recitals (252) to (254). They were determined based on Sucroal's SG&A costs and profit, as explained in recital (253).
- (260) SG&A costs, expressed as a percentage of the COGS and applied to the undistorted costs of production, amounted to 23,3 %. Profit, expressed as a percentage of the COGS and applied to the undistorted costs of production, amounted to 9,5 %.
- (261) On that basis, the Commission constructed the normal value per product type on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.

#### 3.3. Export price

- (262) The sampled exporting producers exported to the Union either directly, or through a related company outside the Union acting as a trader, or through a related trader outside the Union and a related company in the Union acting as an importer.
- (263) For the sampled exporting producer which exported the product concerned directly to independent customers in the Union, the export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.
- (264) For the sampled exporting producer which exported the product concerned to the Union through the related importer, the export price was established on the basis of the price at which the imported product was first resold to independent customers in the Union, in accordance with Article 2(9) of the basic Regulation. In this case, adjustments to the price were made for all costs incurred between importation and resale, including SG&A costs, and for profits accruing.

<sup>(137)</sup> Supersociedades is an official body linked to the Colombian Ministry of Commerce, Industry and Tourism, as noted in <https://www.supersociedades.gov.co/web/nuestra-entidad>.

(265) The Commission relied on the actual SG&A costs reported by the related importer. With regard to profit, in the current proceeding only one unrelated importer cooperated, but the profit margin was only provided on a confidential basis and could therefore not be used in the calculation of the constructed export price. For this reason, the Commission relied provisionally on the profit considered reasonable in the lysine investigation <sup>(138)</sup> and in a previous investigation concerning imports of certain polyvinyl alcohols ('PVA') originating in China <sup>(139)</sup>. In particular, this profit was set at the level of 6,89 %. The level of profit of 6,89 % was provisionally considered reasonable also in this case because it was realised by unrelated importers involved in the trade of chemical products.

### 3.4. Comparison

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

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

(267) As explained in recitals (256) to (261), the normal value was established at the ex-works level of trade by using costs of production together with amounts for SG&A costs 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.

(268) Following the Second Note, CJS requested, in the event that the financial data of Sucroal were used as a benchmark for SG&A costs and profit, the normal value should be adjusted to take into account distribution costs included in Sucroal's SG&A costs, pursuant to the *Sinopec* judgment <sup>(140)</sup>. According to CJS, including the distribution cost within the calculation of the SG&A costs would lead to a constructed normal value at a level of trade that is not ex-works, making it incomparable with the ex-works export price.

(269) The Commission noted that the General Court, in its judgement in *CCCME* <sup>(141)</sup>, which followed the *Sinopec* judgement, first recalled that in accordance with the case-law, if a party claims adjustments under Article 2(10) of the basic Regulation in order to make the normal value and the export price comparable for the purpose of determining the dumping margin, such party must prove that its claim is justified. The burden of proof relating to the specific adjustments listed in Article 2(10)(a) to (k) of the basic Regulation lies with the party wishing to rely on them <sup>(142)</sup>. It follows that, in that case, as in this investigation, it was for the interested parties, in accordance with that case law, to demonstrate the need for the adjustment requested in support of evidence which they alleged during the investigation <sup>(143)</sup>.

<sup>(138)</sup> Implementing Regulation (EU) 2025/74, rec. (212).

<sup>(139)</sup> Implementing Regulation (EU) 2020/1336, rec. (352).

<sup>(140)</sup> Judgment of 21 February 2024, *Sinopec Chongqing SVW Chemical and Others v Commission*, T-762/20, ECLI:EU:T:2024:113.

<sup>(141)</sup> Judgment of 2 October 2024, *CCCME and Others v Commission*, T-263/22, ECLI:EU:T:2024:663.

<sup>(142)</sup> *Ibidem*, para. 183.

<sup>(143)</sup> *Ibidem*, para. 185.

(270) The General Court held that, although the practice of making adjustments may prove to be necessary under Article 2(10) of the basic Regulation, to take account of differences between the export price and the normal value which affect their comparability, such deductions cannot be made with respect to a value which has been constructed and which is not, therefore, genuine. That value is not generally affected by factors which might damage its comparability, because it has been artificially established<sup>(144)</sup>. Moreover, as in the CCCME case, in the current investigation, the construction of the normal value per product type on an ex-works basis included a reasonable amount for SG&A costs, and there was no information available showing that the Sucroal's SG&A costs included any distribution cost. Consequently, in view of the Commission's discretion in the application of Article 2(10) of the basic Regulation<sup>(145)</sup>, the Commission's approach adhered to the most recent case-law concerning unsubstantiated claims that amounts for SG&A costs used in the construction of the normal value under Article 2(6a)(a), which are considered by the Commission to be reasonable for the ex-works level of trade, contain transport costs. As explained in recital (266)(265), the Commission chose to compare the export price and the normal value at ex-works level of trade. As explained in recitals (256) to (261), the normal value was established at ex-works level of trade by using costs of production together with amounts for SG&A costs and for profit, which were considered to be reasonable for that level of trade. Therefore, no adjustments were necessary to net the normal value back to the ex-works level. Therefore, this claim was rejected.

(271) In conclusion, the Commission found no reasons for making any allowances to the normal value.

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

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

(273) Adjustments on account of allowances were made for the factors of credit cost and bank charges affecting prices and price comparability.

(274) Furthermore, where the products were sold from the producer to a related company and then exported to the Union, adjustments were made pursuant to Article 2(10)(i) of the basic Regulation for the mark-up received by the related traders, whenever traders were considered to perform functions similar to those of an agent working on a commission basis.

(275) The Commission found that both sampled exporting producers used companies of the group for trading purposes. It was found that the functions of the related traders were similar to those of an agent. Those related traders obtained a profit for their services and traded a broad array of goods other than the product concerned.

(276) The adjustment was based on deducting the SG&A costs incurred by the related traders, whereas the profit used was 6,89 %, as explained in recital (265) above.

#### 3.5. **Dumping margins**

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

(278) For the cooperating non-sampled exporting producers, the Commission calculated the weighted average dumping margin established with respect to the sampled exporting producers, in accordance with Article 9(6) of the basic Regulation.

<sup>(144)</sup> Ibidem, para. 188.

<sup>(145)</sup> Ibidem, para. 184.

(279) For all other exporting producers in China, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the revised total imports from the country concerned to the Union in the IP, that were established as indicated in recitals (285)-(287). The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted around 93 % of the total imports during the investigation period. On this basis, the Commission decided to establish the dumping margin for non-cooperating exporting producers at the level of the cooperating sampled individually examined company with the highest dumping margin.

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

| Company                                            | Provisional dumping margin |
|----------------------------------------------------|----------------------------|
| CJ (Shenyang) Biotechnology Co., Ltd.              | 32,2 %                     |
| Bayannur Huaheng Biotechnology Co., Ltd.           | 53,9 %                     |
| Other cooperating companies                        | 42,8 %                     |
| All other imports originating in country concerned | 53,9 %                     |

#### 4. INJURY

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

(281) The like product was manufactured by one producer in the Union during the investigation period. It constitutes the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.

(282) As the data relating to the injury assessment was derived from only one Union producer, the figures for the injury analysis are given in ranges for reasons of confidentiality. However, the indexes are based on the actual data and not on the ranges.

(283) The total Union production during the investigation period was [1 800 to 3 200] tonnes. The Commission established the actual figure on the basis of the verified production volume of the Union industry, namely Eurolysine.

##### 4.2. Union consumption

(284) The Commission established the Union consumption on the basis of (i) the verified sales of the Union industry to unrelated customers in the Union, and (ii) the imports from the country concerned and from all other third countries.

(285) The product concerned falls under the residual CN code, containing other products than the product concerned. Therefore, it was not possible to base import volumes for the investigation period solely on Eurostat data. The complainant provided export data from China and Indonesia, the only two countries exporting to the Union, based on estimations of third-party data providers.

(286) The source of the data could not be disclosed at the request of the data provider. However, the Commission cross-checked the data provided with other available statistical sources, i.e. Eurostat data, data provided by the customs authorities of the selected Member States with the highest volume of imports of the product under investigation as well as with the replies to the sampling forms from cooperating exporting producers and questionnaire replies of the sampled Chinese exporting producers.

(287) This analysis revealed that for the sampled exporting producers the Chinese export data were incomplete, and they were thus adjusted by adding the verified import volumes from the sampled exporting Chinese producers.

(288) On the basis, Union consumption developed as follows:

Table 2

**Union consumption (tonnes)**

|                         | 2021              | 2022              | 2023              | IP                |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| Total Union consumption | [20 000 – 29 000] | [18 000 – 27 000] | [26 000 – 35 000] | [27 000 – 36 000] |
| <i>Index</i>            | 100               | 90                | 120               | 128               |

Source: Eurolysine, Eurostat, Customs import statistics, questionnaire replies from the sampled exporting producers.

(289) The Union consumption of valine in tonnes generally increased over the period considered with an overall increase of 28 %, with the exemption of 2022 when it experienced a decrease. The decrease in 2022 and rebound in 2023 was mainly due to the severe bird flu in the Union <sup>(146)</sup> combined with a reduction on valine demand from the pig feed market <sup>(147)</sup>, which had a direct effect on the valine consumption in the Union.

#### 4.3. Imports from the country concerned

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

(290) As mentioned in recital (285) the Commission established the volume of imports on the basis of specialised market intelligence providers of Chinese and Indonesian trade statistics provide by the complainant, adjusted by the sampling information provided by the cooperating exporting producers.

(291) The market share of the imports was established on the basis of import volumes from the country concerned and the Union composition.

(292) Imports into the Union from China developed as follows:

Table 3

**Import volume (tonnes) and market share**

|                                  | 2021              | 2022              | 2023              | Investigation period |
|----------------------------------|-------------------|-------------------|-------------------|----------------------|
| Volume of imports China (tonnes) | [13 000 – 19 000] | [13 000 – 19 000] | [19 000 – 26 000] | [21 000 – 29 000]    |
| <i>Index</i>                     | 100               | 105               | 131               | 157                  |
| Market share (%)                 | [60 - 70]         | [70 - 80]         | [67 - 77]         | [78 - 88]            |
| <i>Index</i>                     | 100               | 117               | 110               | 123                  |

Source: Eurolysine, Eurostat, Customs import statistics, questionnaire replied from the sampled exporting producers.

<sup>(146)</sup> The decrease is evidenced on the verified data provided by the Union producer, and public available information from the European Centre for Disease Prevention and Control (ECDC).

<sup>(147)</sup> The decrease is evidenced on the verified data provided by the Union producer.

(293) Table 3 shows a continuous and substantial increase in the volume of imports from China into the Union, growing by 57 % during the period concerned.

(294) During the period considered imports of valine from China increased by [8 000 – 16 000] tonnes. This translated into an increase of 23 % in the total market share of Chinese imports into the Union, from [60-70 %] in 2021 to [78-88 %] in the investigation period.

#### 4.4. Prices of the imports from the country concerned, price undercutting and price suppression

(295) The Commission established the prices of imports on the basis of weighted average import prices of the product concerned during the period concerned provided by the customs authorities. Price undercutting of the imports was established on the basis of verified questionnaire replies of the sampled exporting producers in China.

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

Table 4

#### Import prices (EUR/ tonnes)

|       | 2021  | 2022  | 2023  | Investigation period |
|-------|-------|-------|-------|----------------------|
| China | 4 156 | 5 296 | 3 990 | 3 002                |
| Index | 100   | 127   | 96    | 72                   |

Source: Member States' Customs authorities.

(297) Chinese import prices decreased during the period considered from 4 156 EUR/tonne to 3 002 EUR/tonne, i.e. by 28 %. They increased by 27 % between 2021 and 2022, but then decreased significantly in 2023 and in the investigation period by 43 % when compared to 2022. In the period considered prices thus declined from 5 296 EUR/tonne in 2022 to 3 002 EUR/tonne in the investigation period.

(298) Chinese import prices continued to decrease after 2022, resulting in prices being below Union industry for 2023 and the IP. Furthermore, except for 2021, Chinese import prices remained below the Union industry cost of production during the period concerned.

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

- (1) the weighted average sales prices per product type of the Union producer charged to unrelated customers on the Union market, adjusted to an ex-works level; and
- (2) the corresponding weighted average prices per product type of the imports from the sampled cooperating country name producers to the first independent customer on the Union market, established on a Cost, insurance, freight (CIF) basis, with appropriate adjustments for customs duties and post-importation costs.

(300) 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 Union industry's theoretical turnover during the investigation period. It showed a weighted average undercutting margin of between 9,5 % and 22,2 % by the imports from the country concerned on the Union market. Undercutting was found for 99 % of the imported volumes of sampled companies.

(301) The Commission further considered other price effects, in particular the existence of significant price suppression. During the period considered, the Union Industry's production costs increased significantly, mainly due to rising energy and costs of raw materials (see recital (320)). Meanwhile, imports from China continued to always rise, with prices constantly decreasing after 2022, making it impossible for the Union Industry to sell the product at a price that covered its cost of production, with the exemption of 2021 when the Union industry was barely profitable. This price suppression confirmed that the dumped imports from China resulted in a loss of profitability for the Union Industry.

#### 4.5. Economic situation of the Union industry

##### 4.5.1. General remarks

(302) 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.

(303) The Union industry had some captive use, but due to the low volumes compared to its total sales it was considered this could not have a significant effect in the injury indicators and was therefore not analysed separately.

(304) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. As Eurolysine is the sole Union producer, both sets of data were established on the basis of the verified questionnaire reply of Eurolysine and found to be representative of the economic situation of the Union industry.

(305) 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.

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

##### 4.5.2. Macroeconomic indicators

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

(307) 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 (tonnes) | [8 700 – 9 800]  | [4 900 – 5 600]  | [5 100 – 5 800]  | [1 800 – 3 200]      |
| <i>Index</i>                 | 100              | 57               | 59               | 21                   |
| Production capacity (tonnes) | [7 500 – 13 000] | [7 500 – 13 000] | [7 500 – 13 000] | [7 500 – 13 000]     |
| <i>Index</i>                 | 100              | 100              | 100              | 100                  |

|                          | 2021      | 2022      | 2023      | Investigation period |
|--------------------------|-----------|-----------|-----------|----------------------|
| Capacity utilisation (%) | [88 - 98] | [49 - 59] | [51 - 61] | [18 - 28]            |
| <i>Index</i>             | 100       | 57        | 59        | 21                   |

Source: Questionnaire reply Eurolysine.

(308) Despite an increase of the Union consumption in the period considered in Table 5, there was a significant decrease of production volumes of the Union industry.

(309) During the period considered production decreased significantly in 2022 reducing the production, i.e. by 43 % as compared to the 2021 level. It remained relatively stable in 2023, slightly increasing. The larger decline in 2022 was mainly caused by a smaller consumption at the Union market due to the bird flu as explained in recital (289), combined with the continued increase of Chinese imports. In the IP, the Union industry's production then declined sharply by 38 % in comparison to 2023. Overall, during the period considered the production volume decreased by 79 %. The Union industry faced significant increases of imports of valine from China at prices lower than its cost of production from 2021, which did not allow the Union industry to compete. As a result, the Union industry reduced the production volume in the period considered, including by temporary suspending the production of valine.

(310) The production capacity refers to the installed capacity, which remained stable during the period considered. As a consequence, the capacity utilisation rate evolved exactly in line with the production volume.

#### 4.5.2.2. Sales quantity and market share

(311) 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 (tonnes) | [8 500 – 10 000] | [4 800 - 5 800] | [4 300 - 5 700] | [1 800 – 3 400]      |
| <i>Index</i>                                      | 100              | 60              | 48              | 26                   |
| Market share (%)                                  | [30 - 40]        | [20 - 30]       | [5 - 15]        | [3 - 13]             |
| <i>Index</i>                                      | 100              | 67              | 40              | 20                   |

Source: Questionnaire reply Eurolysine.

(312) During the period considered sales volume followed the decrease in production and decreased significantly during the period considered, i.e. by 74 %. The decline in sales volume showed a continuous trend, decreasing by 40 % from 2021 to 2022, and by further 12 % in 2023. Sales sharply declined in the investigation period, by another 22 %.

(313) For the reasons explained above the significant decrease of sales volumes of the Union industry combined with a higher consumption in the Union, resulted in a significant decrease of market share, from [30 % - 40 %] in 2021 to [3 % - 13 %] in the investigation period.

#### 4.5.2.3. Employment and productivity

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

Table 7

#### Employment and productivity

|                           | 2021        | 2022       | 2023       | Investigation period |
|---------------------------|-------------|------------|------------|----------------------|
| Number of employees       | [30 - 50]   | [30 - 50]  | [30 - 50]  | [12 - 30]            |
| Index                     | 100         | 95         | 109        | 55                   |
| Productivity (tonnes/FTE) | [150 - 250] | [90 - 150] | [90 - 150] | [60 - 100]           |
| Index                     | 100         | 60         | 54         | 38                   |

Source: Questionnaire reply Eurolysine.

(315) The Union industry employment remained relatively stable from 2021 to 2023 with a slight decrease in 2022 and an increase in 2023. However, a sharp drop occurred during the investigation period when the Union manufacturer had to temporarily stop the production of the product under investigation. Overall, employment decreased by 45 % during the period considered.

(316) Productivity followed the changes in production and employment. Over the period considered, productivity decreased by 62 % due to a significant decrease in Union's industry's production and sales volume.

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

(317) 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.

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

#### 4.5.3. Microeconomic indicators

##### 4.5.3.1. Prices and factors affecting prices

(319) The weighted average unit sales prices of the Union industry 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/ tonne) | [2 200 – 4 200] | [4 000 – 6 000] | [4 000 – 6 000] | [3 000 – 4 900]      |
| Index                                                                  | 100             | 120             | 127             | 103                  |

|                                     | 2021            | 2022            | 2023            | Investigation period |
|-------------------------------------|-----------------|-----------------|-----------------|----------------------|
| Unit cost of production (EUR/tonne) | [2 000 – 4 000] | [5 000 – 7 000] | [6 000 – 8 000] | [5 000– 7 000]       |
| <i>Index</i>                        | 100             | 153             | 175             | 156                  |

Source: Questionnaire reply Eurolysine.

(320) During the period considered sales prices increased during 2022 and 2023, but then declined sharply in the investigation period. Overall, there was a slight increase of the sale price in the period considered of 3 %. At the same time, the unit cost of production also increased, albeit at a much higher pace than the unit sales prices. The increase in the cost of production were mainly driven by the cost of electricity, raw materials (such as sugar, ammonia, soja or lye), vapour and fixed costs. In addition, the dramatic decrease in production and sales volume, caused an increase of the fixed costs per unit of valine. Thus, production cost increased over the period considered by 56 %. This cost increase, was particularly pronounced in 2022 and 2023, when the cost of production increased by 53 % and 22 % respectively. In the IP, the average unit cost of production decreased by 19 %.

(321) Except for 2021 the average sales prices were, despite their increases in 2022 and 2023, significantly below the unit cost of production throughout the period considered.

#### 4.5.3.2. Labour costs

(322) The average labour costs of the Union industry 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) | [60 000 – 80 000] | [60 000 – 80 000] | [60 000 – 80 000] | [55 000 – 70 000]    |
| <i>Index</i>                            | 100               | 99                | 97                | 87                   |

Source: Questionnaire reply Eurolysine.

(323) Average cost per employee of the Union industry declined during the period considered, i.e. by 13 %. This decline can be mainly attributed to lower wages and other labour costs associated to the product concerned including the freezing pay rises, temporary layoffs and increasing workdays without full compensation.

#### 4.5.3.3. Inventories

(324) Stock levels of the Union industry developed over the period considered as follows:

Table 10

#### Stocks

|                        | 2021        | 2022       | 2023        | Investigation period |
|------------------------|-------------|------------|-------------|----------------------|
| Closing stock (tonnes) | [460 - 720] | [90 - 150] | [240 - 370] | [370 - 580]          |
| <i>Index</i>           | 100         | 20         | 52          | 80                   |

|                                             | 2021    | 2022    | 2023    | Investigation period |
|---------------------------------------------|---------|---------|---------|----------------------|
| Closing stock as a percentage of production | [5 - 8] | [1 - 4] | [5 - 8] | [19 - 29]            |

Source: Questionnaire reply Eurolysine.

(325) Stocks of goods decreased from 2021 to 2022, and then increased in 2023 and the investigation period. However, without reaching the 2021 levels.

(326) Closing stocks as a percentage of production, except for 2022, increased during the period considered and reached [19 % - 29 %] in the investigation period, as the Union industry was increasingly unable to sell previous stock levels, and reduced production levels due to competition from imports.

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

(327) Profitability, cash flow, investments and return on investments of the Union industry 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 (%) | [1 to 5]         | [- 15 to - 25]       | [- 30 to - 40]        | [- 40 to - 60]       |
| <i>Index</i>                                                   | 100              | - 891                | - 1 382               | - 2 365              |
| Cash flow (EUR 000)                                            | [1 000 to 2 500] | [- 2 000 to - 4 500] | [- 4 000 to - 10 500] | [- 1 000 to - 50]    |
| <i>Index</i>                                                   | 100              | - 135                | - 411                 | - 3                  |
| Investments (EUR 000)                                          | [1 000 to 2 500] | [1 500 to 3 000]     | [1 500 to 2 500]      | [2 500 to 4 000]     |
| <i>Index</i>                                                   | 100              | 154                  | 137                   | 261                  |
| Return on investments (%)                                      | [1 to 10]        | [- 10 to - 20]       | [- 28 to - 38]        | [- 25 to - 35]       |
| <i>Index</i>                                                   | 100              | - 760                | - 1 227               | - 1 184              |

Source: Questionnaire reply Eurolysine.

(328) The Commission established the profitability of the Union industry 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. During the period considered, the Union industry was severely loss-making, except for 2021 on which the Union industry realised a small profit. It incurred a considerable loss in the investigation period when production was stopped for months in view of the continued increase in dumped imports volumes exercising a significant price pressure on the Union market, leading to lost sales and temporary suspension of production. During the period considered, its profitability decreased by about 60 percentage points.

- (329) Throughout the period considered cash flow was negative, with the exemption of 2021, which was mainly due to significant negative profitability levels. Cash flow improved in the investigation period, even if still negative, but this was due to the sales of previously held stock combined with very low production volumes, reducing inventories and resulting in expenses not involving cash outflows.
- (330) Throughout the period considered investments were mainly made to maintain the existing production facilities and production capacity. Investments were also made to comply with environmental standards and to decrease emissions. The difficult economic situation of the Union industry and resulting lack of profitability was the main reason for the lack of new investments for extending the production capacity for valine production.
- (331) The return on investments is the profit in percentage of the net book value of investments. Following the substantial negative profit levels observed in the Union industry, return of investment declined considerably during the period considered and was significantly negative except for 2021.
- (332) The Union industry's ability to raise capital was negatively affected given the negative return to capital, severe losses and negative cash flow in the period considered.

#### 4.6. Conclusion on injury

- (333) All main injury indicators showed significantly negative trends over the period considered a trend that was even further accentuated in the investigation period.
- (334) Thus, during the period considered production volume and sales volume of the Union industry decreased by a 79 % and 74 % respectively. Market share of the Union industry dropped by around 80 % in the period considered, from [30 % - 40 %] in 2021 to [3 % - 13 %] during the investigation period.
- (335) Even if the Union industry sales price overall, slightly increased over the period considered by 3 %, it dropped significantly between 2023 and the investigation period by 24 %, and was below the Union industry's cost of production during almost the entire period considered with the exception of 2021. This was mainly due to the increasing volumes of Chinese imports competing with the sales of the Union industry, combined with price pressure from the Chinese imports, at prices undercutting the Union industry's sales prices during the investigation period, and that put pressure on the Union industry non allowing it to raise prices to a sustainable level to cover for its cost of production.
- (336) During the period considered the Union industry was faced with a significant increase in the cost of production, which rose by 56 %. It could, however, not pass on this cost increase to customers on a strongly declining sales volumes due to Chinese imports volumes, whose market share was already above 60 % at the beginning of the period considered and rose by 23 % during the same period. This decline of sales volume lead to an increase of fixed costs and hence of cost of production, that the Union Industry could not cover with an increase of sales prices due to the pressure of Chinese prices as per recital (298). As a result, the situation of the Union industry, which incurred double-digit losses as of 2022, deteriorated strongly and in the investigation period it had to temporarily stop production. This dramatic worsening of the situation of the Union industry was also reflected in the development of other key indicators as employment, productivity, stocks, cash flow and return on investments.
- (337) 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

(338) 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 other third countries, export performance of the Union producer and the increase of raw material and energy costs.

### 5.1. Effects of the dumped imports

(339) The deterioration of the Union industry's situation coincided with the rapid increase of the dumped imports from China. As set out in recital (293) imports from the country concerned increased by 57 % during the period considered, translating into a market share increase of 23 % reaching [78 % - 88 %] market share in the investigation period. During the same period as set out in recital (311) the Union industry's sales reduced by 74 %, and as per recital (313) its market share by 80 % in the period considered, from [30 % - 40 %] in 2021 to [3 % - 13 %] in the investigation period.

(340) Chinese imports were significantly undercutting the Union industry prices in the investigation period and the average import prices were below the average sales prices of the Union industry as of 2022, leading to an increasing deterioration of the situation of the Union industry. Chinese imports also led to price suppression during the period considered, as per recital (301) the Union industry was incapable of selling above its cost of production in view of the pressure derived from the dumped imports. The price suppression was particularly pronounced in the investigation period.

(341) Therefore, the Commission concluded that a significant increase in imports from China at prices that were significantly undercutting Union prices, caused material injury to the Union industry.

### 5.2. Effects of other factors

#### 5.2.1. Imports from third countries

(342) Only Indonesia imported the product under investigation during the period considered. The volume and average price of imports from Indonesia developed over the period considered as follows:

Table 12

#### Imports from Indonesia

| Country   |                           | 2021 | 2022 | 2023            | Investigation period |
|-----------|---------------------------|------|------|-----------------|----------------------|
| Indonesia | Quantity (tonnes)         | 0    | 0    | [3 500 – 5 000] | [3 000 – 4 500]      |
|           | Index                     | -    | -    | 100             | 88                   |
|           | Market share (%)          | 0    | 0    | [12 -22]        | [9 - 19]             |
|           | Average price (EUR/tonne) | 0    | 0    | 4 073           | 3 387                |
|           | Index                     | -    | -    | 100             | 83                   |

Source: Eurolysine, customs authorities.

(343) Indonesian imports started to penetrate the Union market in 2023, reaching a market share of [12 - 22 %]. In the investigation period import volume decreased again, which was also reflected in a decrease of market share. Import volume and market share from Indonesia were substantially below the import volume and market share of the Chinese imports in 2023 and in the investigation period. The average import prices from Indonesia showed a decreasing trend, but with levels above the average import price from China. Import prices from Indonesia were also below the unit sales price of the Union industry. Therefore, the Commission concluded that imports from Indonesia did not attenuate the causal link between the dumped imports and the material injury suffered by the Union industry.

#### 5.2.2. Export performance of the Union industry

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

Table 13

#### Export performance of the sampled Union producers

|                            | 2021            | 2022            | 2023            | Investigation period |
|----------------------------|-----------------|-----------------|-----------------|----------------------|
| Export volume (tonnes)     | [700 – 1 200]   | [450 – 870]     | [950 – 1 400]   | [400 – 800]          |
| Index                      | 100             | 79              | 128             | 74                   |
| Average price (EUR/tonnes) | [2 000 - 3 900] | [4 100 – 6 100] | [3 600 – 5 400] | [3 100 – 5 100]      |
| Index                      | 100             | 139             | 129             | 111                  |

Source: Questionnaire reply Eurolysine.

(345) Export sales of the Union industry were only a small part of their overall sales of valine, except for the investigation period, where the sales of the Union industry on the Union market dropped significantly and the share of export sales of the total sales therefore increased in relative terms. The Union industry sold the product under investigation only to neighbouring countries, such as the UK or Norway. The export price followed the trend of prices on the Union market, it increased between 2021 and 2023 but then fell sharply in the investigation period. During the investigation period, these prices were slightly higher than the average sales price on the Union market. Overall, export prices to other third countries increased by 11 % during the period considered. The Commission considered that since China is a major exporter of valine, including to neighbouring countries export markets of the Union industry, the Union industry had to face on these markets competition with Chinese imports.

(346) On this basis, the Commission considered at this stage, the Union industry's export sales to other third countries did not cause the material injury suffered by the Union industry.

### 5.2.3. *Increase of costs of raw materials and energy*

(347) An increase in the costs of energy and certain raw materials due to the war in Ukraine had an impact on production costs. However, during the investigation period, this trend reversed. The Union industry despite increasing its prices in 2022 and further in 2023, could not reflect the full price increase in its sales prices on the Union market and sales were therefore loss making. This is due to the price pressure of the Chinese imports that entered the Union market in significant and increasing quantities through the period considered. Thus, the Commission concluded at this stage, that the temporary increase of costs does not break the causal link between the dumped imports from China and the material injury suffered by the Union industry.

### 5.3. **Conclusion on causation**

(348) The investigation showed a correlation between the increase of dumped imports from the country concerned and the material injury suffered by the Union industry. The significant increase in imports volumes and at lower prices has exerted a high price pressure on the Union market and led to a significant decline in the Union industry's production, sales and market share.

(349) Average Chinese import prices were below the average Union industry's sales prices as of 2022. At the same time their market share that was already above 60 % at the beginning of the period considered increased by 23 %. The loss of sales volume and, consequently, production volume lead to an increase of fixed costs that translated in a considerable unit cost increases of the Union industry. While the Union industry attempted to align their prices to the cost increase, they did not succeed as, in parallel, Chinese imports continued to increase significantly in absolute and relative terms at prices that were below the Union industry's cost and sales prices. This situation created a significant price suppression on the Union market, leading to a dramatic decline in sales, market share and profitability that resulted in significant losses as of 2022.

(350) The Commission established thus a causal link between the dumped imports from China and the injury suffered by the Union industry.

(351) The Commission distinguished and separated the effects of all known factors on the situation of the Union industry from the injurious effects of the dumped imports. The effect of these factors on the Union industry's negative developments were, however, not significant.

(352) On the basis of the above, the Commission concluded at this stage that the dumped imports from the country concerned caused material injury to the Union industry and that the other factors, considered individually or collectively, did not attenuate the causal link between the dumped imports and the material injury.

## 6. LEVEL OF MEASURES

(353) To determine the level of the measures, the Commission examined whether a duty lower than the margin of dumping would be sufficient to remove the injury caused by dumped imports to the Union industry.

### 6.1. **Injury margin**

(354) 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.

(355) 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, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6 %.

- (356) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition, the average profit made in the six years before the beginning of the period considered and before the significant increase of imports of the product concerned from China. This level of profitability allowed the company to cover the costs, research and development and innovation in line with Article 7(2c) of the basic Regulation. Such profit margin was established at [6 - 12 %].
- (357) In accordance with Article 7(2d) of the basic Regulation, 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 that the Union industry will incur during the period of the application of the measure pursuant to Article 11(2). The company claimed a small number of investments under normal conditions that were foregone and various future costs from the compliance of EU environmental and labour standards, based on Article 7(2d) of the basic Regulation. However, these claims were not substantiated.
- (358) On this basis, the Commission calculated a non-injurious price of EUR [6 000 – 6 900] per tonne for the like product of the Union industry by applying the above-mentioned target profit margin (see recital (356)) to the cost of production of the Union producer during the investigation period.
- (359) The Commission then determined the injury margin level on the basis of a comparison of the weighted average import price of the sampled cooperating exporting producers in the PRC, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the Union producer 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.
- (360) The injury elimination level for ‘other cooperating companies’ and for ‘all other imports originating in the People’s Republic of China’ is defined in the same manner as the dumping margin for these companies and imports (see Section 3.5 above):

| Country                    | Company                                                         | Dumping margin (%) | Injury margin (%) |
|----------------------------|-----------------------------------------------------------------|--------------------|-------------------|
| People’s Republic of China | CJ (Shenyang) Biotechnology Co., Ltd.                           | 32,2               | 106,1             |
|                            | Bayannur Huaheng Biotechnology Co., Ltd.                        | 53,9               | 141,0             |
|                            | Other cooperating companies                                     | 42,8               | 122,9             |
|                            | All other imports originating in the People’s Republic of China | 53,9               | 141,0             |

## 6.2. Conclusion on the level of measures

- (361) 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 (%) |
|----------------------------|-----------------------------------------------------------------|-----------------------------------|
| People’s Republic of China | CJ (Shenyang) Biotechnology Co., Ltd.                           | 32,2                              |
|                            | Bayannur Huaheng Biotechnology Co., Ltd.                        | 53,9                              |
|                            | Other cooperating companies                                     | 42,8                              |
|                            | All other imports originating in the People’s Republic of China | 53,9                              |

## 7. UNION INTEREST

(362) 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 and users.

### 7.1. Interest of the Union industry

(363) The investigation has shown that the Union industry suffered material injury caused by the dumped imports from the country concerned. These imports exercised a significant price suppression, forcing the Union industry to sell below cost. As a result, the Union industry was making severe losses. Chinese imports undercut significantly the Union industry sales prices on the Union market which led to a substantial increase in import volumes and market share to the expense of the Union industry.

(364) Measures should lead to a price increase of valine in the Union market, which would enable the Union industry to raise its sales prices to sustainable levels. A price increase would also allow the Union industry to recover its production and sales volumes, and in turn to reduce its unit cost benefiting from economies of scale. This is because measures would likely prevent a further surge of imports from China at very low prices and enable the industry to start its recovery process.

(365) On the other hand, should measures not be imposed, the price and volume pressure from Chinese imports will continue and likely even worsen. This would have a significant negative impact on the Union industry's situation, that is already heavily impacted by the Chinese imports and suffered material injury, realising unsustainable losses since 2022 which will likely lead to the discontinuation of the valine production all together in the Union.

(366) It is therefore concluded that imposing measures would be in the interest of the Union industry.

### 7.2. Interest of unrelated importers

(367) Two importers came forward in the investigation, whereas only one submitted a complete response to the questionnaire. This importer represented about [5 - 10 %] of total Chinese imports in the Union in the investigation period. The company is a distributor of amino acids, including valine, of a multinational company with a factory in China. This importer supported the measures, except for their supplier claiming that they were suffering from the low-priced imports of other Chinese exporting producers which exerted significant price pressure on their re-sale prices in the Union.

(368) The investigation has shown that this importer was a distributor of a wide range of chemicals and covered various types of industries<sup>(148)</sup>. The imports of valine from China only represented an insignificant share in their total business activities.

(369) On this basis, the Commission provisionally concluded that measures would not have a significant adverse effect on importers.

### 7.3. Interest of users

(370) Valine is used in the animal feed, pharma and food (dietary supplement) market. Currently, the Union Industry only produces feed grade valine that they sell to feed producers, which is the largest market in the Union as compared to food and pharma grade based on the market knowledge of the Union industry.

<sup>(148)</sup> <https://www.quimidroga.com/en/chemical-distributor/>.

- (371) Valine used as animal feed, is mainly used in the pork and poultry sector. The users tend to be compound feed manufacturers, enhancing the feed with different amino acids. Two related to the Union industry users of feed grade valine, came forward supporting the measures. No other users came forward, including those using food grade or pharma grade valine.
- (372) Based on information provided by the Union industry and information provided by the users in the questionnaire replies, valine represents only insignificant quantities in the overall feed composition, i.e. around 0,03 % in pig feed and around 0,06 % in broiler feed. However, depending on the physiological stage of the animal and on the feed mix it is estimated that up to 1 kg per tonne of valine, that corresponds to 0,1 %, could be used in the total feed composition. Therefore any price increase of valine is expected not to have significant adverse effects on the costs of feed for the users.
- (373) In addition, both users stated that they did not want to become overly dependent on imports of valine from the country concerned, in view of potential supply risks such as transport, pandemics or other potentially disruptive external factors.
- (374) Absent any other information provided by users, in the light of the above, it is provisionally concluded that the imposition of any anti-dumping measures are unlikely to significantly affect the situation of the users.

#### 7.4. Conclusion on Union interest

- (375) On the basis of the above, the Commission concluded that there were no compelling reasons that it was not in the Union interest to impose measures on imports of product concerned originating in country concerned at this stage of the investigation.

### 8. PROVISIONAL ANTI-DUMPING MEASURES

- (376) 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.
- (377) Provisional anti-dumping measures should be imposed on imports of valine originating in China, in accordance with the lesser duty rule in Article 7(2) of the basic Regulation. The Commission compared the injury margins and the dumping margins in recitals (359) and (361) above. The amount of the duties was set at the level of the lower of the dumping and the injury margins.
- (378) 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 (%) |
|----------------------------|-----------------------------------------------------------------|-----------------------------------|
| People's Republic of China | CJ (Shenyang) Biotechnology Co., Ltd.                           | 32,2                              |
|                            | Bayannur Huaheng Biotechnology Co., Ltd.                        | 53,9                              |
|                            | Other cooperating companies                                     | 42,8                              |
|                            | All other imports originating in the People's Republic of China | 53,9                              |

- (379) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to these companies. These duty rates are exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entities. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other imports originating in the People's Republic of China'. They should not be subject to any of the individual anti-dumping duty rates.
- (380) To minimise the risks of circumvention due to the difference in duty rates, special measures are needed to ensure the application of the individual anti-dumping duties. The application of individual anti-dumping duties is only applicable upon presentation of a valid commercial invoice to the customs authorities of the Member States. The invoice must conform to the requirements set out in Article 1(3) of this regulation. Until such invoice is presented, imports should be subject to the anti-dumping duty applicable to 'all other imports originating in the People's Republic of China'.
- (381) 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.
- (382) 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

- (383) 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.
- (384) In view of the findings at provisional stage, the registration of imports should cease/be discontinued.
- (385) No decision on a possible retroactive application of anti-dumping measures has been taken/can be taken at this stage of the proceeding.

## 10. INFORMATION AT PROVISIONAL STAGE

- (386) In accordance with Article (19a) of the basic Regulation, the Commission informed interested parties about the planned imposition of provisional duties. This information was also made available to the general public via DG TRADE's website. Interested parties were given three working days to provide comments on the accuracy of the calculations specifically disclosed to them.
- (387) Huaheng provided comments on the calculation of the benchmark for a by-product. In view of these comments, the Commission revised its dumping calculations for Huaheng after having recalculated the unit price of corn starch and using the methodology indicated in recital (246) above. Huaheng also provided comments on the methodology used to calculate its dumping margin. As these comments did not relate to the accuracy of the calculation itself, they will be addressed, where appropriate, in at the definitive stage of the investigation.

## 11. FINAL PROVISIONS

(388) 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.

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

HAS ADOPTED THIS REGULATION:

## Article 1

1. A provisional anti-dumping duty is imposed on imports of valine and its esters, salts thereof, as a separate chemically defined organic compound, whether or not containing impurities, currently falling under CN code 2922 49 85 (TARIC code 2922 49 85 87) 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 |
|----------------------------|-----------------------------------------------------------------|-----------------------------------|-----------------------|
| People's Republic of China | CJ (Shenyang) Biotechnology Co., Ltd.                           | 32,2                              | 89TX                  |
|                            | Bayannur Huaheng Biotechnology Co., Ltd.                        | 53,9                              | 89TY                  |
|                            | Other cooperating companies listed in the Annex                 | 42,8                              |                       |
|                            | All other imports originating in the People's Republic of China | 53,9                              | 89YY                  |

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

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

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

*Article 2*

1. Interested parties shall submit their written comments on this regulation to the Commission within 15 calendar days of the date of entry into force of this Regulation.
2. Interested parties wishing to request a hearing with the Commission shall do so within 5 calendar days of the date of entry into force of this Regulation.
3. Interested parties wishing to request a hearing with the Hearing Officer in trade proceedings are invited to do so within 5 calendar days of the date of entry into force of this Regulation. The Hearing Officer may examine requests submitted outside this time limit and may decide whether to accept to such requests if appropriate.

*Article 3*

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Implementing Regulation (EU) 2025/326.
2. Data collected regarding products which entered the European Union for consumption not more than 90 days prior to the date of the entry into force of this regulation shall be kept until the entry into force of possible definitive measures, or the termination of this proceeding.

*Article 4*

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

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

Done at Brussels, 13 August 2025.

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

---

ANNEX

Other cooperating exporting producers not sampled:

| Country                    | Name                                                                                                | TARIC additional code |
|----------------------------|-----------------------------------------------------------------------------------------------------|-----------------------|
| People's Republic of China | Xinjiang Meihua Amino Acid Co., Ltd.;<br>Tongliao Meihua Biological Sci-tech Co., Ltd.              | 89TZ                  |
|                            | Ningxia EPPEN Biotech Co., Ltd.                                                                     | 89UA                  |
|                            | Hulunbeier Northeast Fufeng Biotechnologies Co., Ltd.;<br>Xinjiang Fufeng Biotechnologies Co., Ltd. | 89UB                  |