



2025/78

15.1.2025

COMMISSION IMPLEMENTING REGULATION (EU) 2025/78

of 15 January 2025

imposing a provisional anti-dumping duty on imports of multilayered wood flooring originating in the People's Republic of China

THE EUROPEAN COMMISSION,

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

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

After consulting the Member States,

Whereas:

1. PROCEDURE

1.1. Initiation

- (1) On 16 May 2024, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of multilayered wood flooring ('MWF') originating in the People's Republic of China ('the country concerned', 'the PRC', or 'China') on the basis of Article 5 of Regulation (EU) 2016/1036 of the European Parliament and of the Council ('the basic Regulation'). It published a Notice of Initiation in the *Official Journal of the European Union* ⁽²⁾ ('the Notice of Initiation').
- (2) The Commission initiated the investigation following a complaint lodged on 4 April 2024 by the European Parquet Federation ('the complainant'). The complaint was made on behalf of the Union industry of MWF in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

1.2. Registration

- (3) The Commission made imports of the product concerned subject to registration by Commission Implementing Regulation (EU) 2024/2733 of 24 October 2024 ('the registration Regulation') ⁽³⁾.

1.3. Interested parties

- (4) In the Notice of Initiation, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the complainant, other known Union producers, the known exporting producers and the authorities in the country concerned, known importers, users and traders about the initiation of the investigation and invited them to participate.
- (5) Interested parties had an opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

1.4. Sampling

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

⁽¹⁾ OJ L 176, 30.6.2016, p. 21.

⁽²⁾ OJ C, C/2024/3186, 16.5.2024.

⁽³⁾ Commission Implementing Regulation (EU) 2024/2733 of 24 October 2024 making imports of multilayered wood flooring originating in the People's Republic of China subject to registration. OJ L, 2024/2733, 25.10.2024.

1.4.1. *Sampling of Union producers*

- (7) In its Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. The Commission selected the sample on the basis of production and sales quantities in the context of the pre-initiation standing analysis. This sample consisted of three Union producers. The sampled Union producers accounted for more than 20% of the estimated total Union production and more than 20% of the estimated total Union sales of the like product. The sample was considered representative of the Union industry. The Commission invited interested parties to comment on the provisional sample. No comments were received and therefore, the sample was confirmed.

1.4.2. *Sampling of importers*

- (8) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation.
- (9) Two unrelated importers (Lamett Europe N.V. and Svartes s.r.o) 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. The Commission invited the two companies indicated above to complete the questionnaire for importers. Ultimately, only Lamett Europe N.V. provided a questionnaire reply as explained in recital (17).

1.4.3. *Sampling of exporting producers in PRC*

- (10) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in PRC to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the People's Republic of China to the European Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (11) 78 exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of five producers from two groups on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned and the authorities of the country concerned were consulted on the selection of the sample. Following the consultation comments were received on the selection of that sample from one group of exporting producers. The group argued that the proposed sample was not sufficiently representative, within the meanings of Article 17(1) of the basic Regulation as it accounted only for a limited proportion of the volume exported by all cooperating exporting producers. The Commission assessed the claim and decided to extend the number of companies selected for the sample by adding third largest exporting producer's group with five producers. The revised sample accounted for 40% of the volume and 27% of the estimated total export quantity reported by all cooperating exporting producers exported to the European Union of the product concerned during the investigation period. No further comments on the proposed sample were received.
- (12) Furthermore, in the course of investigation, based on the publicly available sources the Commission verified information provided by the cooperating exporters to confirm the status of the companies as a producer of the product concerned. If necessary, the Commission requested additional documents, such as business licence and articles of association. One party failed to demonstrate link with the investigation and therefore was considered as non-cooperating.

1.4.4. *Individual examination*

- (13) 19 exporting producers in PRC requested individual examination under Article 17(3) of the basic Regulation. However, none of them provided the questionnaire reply within the deadline set by the Commission. Accordingly, the Commission provisionally concludes that no individual examination will be granted in the present case.

1.5. Questionnaire replies and verification visits

- (14) The Commission sent a questionnaire concerning the existence of significant distortions in the PRC within the meaning of Article 2(6a)(b) of the basic Regulation to the Government of the People's Republic of China ('GOC').
- (15) Furthermore, the complainant provided in the complaint sufficient prima facie evidence of raw material distortions in PRC regarding the product concerned. Therefore, as announced in the Notice of Initiation, the investigation covered those raw material distortions to determine whether to apply the provisions of Article 7(2a) and 7(2b) of the basic Regulation with regard to PRC. For this reason, the Commission sent additional questionnaires in this regard to the GOC.
- (16) No questionnaire replies were received from the GOC. Consequently, the Commission informed the GOC that it intends to apply Article 18 of the basic Regulation and use the facts available as regards the existence of significant distortions in the PRC within the meaning of Article 2(6a)(b) of the basic Regulation. No further comments were received from the GOC.
- (17) The questionnaires for Union producers, unrelated importers, users and exporting producers were made available online ⁽⁴⁾ on the day of initiation. The Commission received questionnaire replies from the three sampled Union producers, one unrelated importer (Lamett Europe N.V.) and three exporting producers' groups (Jinfa Group, Forest Group and Fusong Group).
- (18) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Verification visits pursuant to Article 16 of the basic Regulation were carried out at the premises of the following companies:

Union producers

- Barlinek Inwestycje Sp. z o.o., Barlinek, Poland and its related companies (Barlinek S.A., Barlinek Deutschland GmbH, Barlinek Romania S.A.),
- UAB Bauwerk Group Lietuva, Vilnius, Lithuania and its related companies (Bauwerk Parkett Deutschland GmbH, Boen Parkett Deutschland GmbH),
- Weitzer Produktions GmbH, Weiz, Austria and its related company Weitzer Parkett Vertriebs GmbH;

Importer

- Lamett Europe N.V., Deerlijk, Belgium;

Exporting producers and related companies in the PRC

- (a) Jinfa Group:
- Hunchun Xingjia Wooden Flooring Inc., Changchun, Jilin Province PRC,
 - Hunchun Xingye Wood, Hunchun, Jilin Province, PRC,
 - Changchun Delin Wooden Floors Inc., Changchun, Jilin Province, PRC,
 - Changchun Xingjia International Trade Centre, Changchun, Jilin Province, PRC;
- (b) Forest Group:
- JiLin Newco Wood Industries Co., Ltd., Changchun, Jilin Province, PRC,
 - Jilin Forest Industry Jinqiao Flooring Group Co., Ltd., Changchun, Jilin Province, PRC,

⁽⁴⁾ <https://tron.trade.ec.europa.eu/investigations/case-view?caseId=2728>.

- Jilin Forest Industry New Jinqiao Songlin Flooring Co., Ltd. Songjianghe, Jilin Province, PRC ⁽⁹⁾;
- (c) Fusong Group:
 - Fusong Jinlong Wooden Group Co., Ltd, Songjianghe, Jilin Province, PRC,
 - Fusong Jinqiu Wooden Product Co., Ltd, Songjianghe, Jilin Province, PRC,
 - Fusong Qianqiu Wooden Product Co., Ltd, Songjianghe, Jilin Province, PRC,
 - Fusong Diwang Wooden Product Co., Ltd, Songjianghe, Jilin Province, PRC,
 - Dalian Qianqiu Wooden Product Co., Ltd, Dalian, Liaoning Province, PRC.

1.6. Investigation period and period considered

- (19) The investigation of dumping and injury covered the period from 1 January 2023 to 31 December 2023 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2020 to the end of the investigation period ('the period considered').

1.7. Comments on initiation

- (20) The Commission received comments on initiation from
- Lamett Europe N.V., Svartes sro, Labeco BV (Lalegno), Whiteriver (WRG) Ltd, BGP Group srl, Woodco Soc Coop, Avalin Group FZE, Soboplac, Gamma Trading Srl, and Importer A. These companies are collectively known for the purpose of this investigation as the Alliance of Union MWF Importers ('AUMI');
 - China National Forest Products Industry Association ('CNFPPIA');
 - The European Parquet Federation ('FEP').
- (21) AUMI and CNFPPIA argued that the complaint relied on import quantities in square meters from Eurostat which had been adjusted by the complainant. AUMI and CNFPPIA further argued that the complainant had neither explained the need for the adjustment, nor it disclosed the adjustment method. AUMI and CNFPPIA noted that using the adjusted import quantities proposed by the complainant resulted in an increase of more than 20% of the import quantities from China during the period concerned. AUMI and CNFPPIA added that using the import quantities as reported by Eurostat, that is, without any adjustment, would result in a decrease of 3% of the import quantities from China during the period concerned. Furthermore, AUMI and CNFPPIA indicated that the adjusted import quantities skewed other economic indicators such as Chinese import prices, consumption and market shares.
- (22) In this regard FEP indicated that while the surface density range of MWF was between 7 and 9,5 kilograms ('kg') per square meter ('m²'), several Eurostat entries were outside this surface density range. FEP explained that economic operators must report the net mass (tonnes or kilograms) to customs' authorities, but not necessarily the supplementary unit (m²). Therefore, FEP adjusted the entries outside the range by dividing their declared net mass by the average density of the above-mentioned range. FEP also updated the respective part of the non-confidential version of the complaint to illustrate the adjustment method.

- (23) The Commission also analysed the issue during the investigation and addressed it under section 4.4.

⁽⁹⁾ During the investigation period the company was acting as Jilin Forest Industry Jinqiao Flooring Group Co., Ltd., Songjianghe Branch, Songjianghe, Jilin Province, PRC, however after the investigation period the company has been restructured and the branch activities have been transferred to the newly established company – Jilin Forest Industry New Jinqiao Songlin Flooring Co.,Ltd. Songjianghe, Jilin Province, PRC.

- (24) AUMI argued that the complaint did not include figures for five out of the 15 injury indicators, in particular the return on investment, factors affecting Union prices, actual and potential negative effects on cash flow, wages and growth.
- (25) The Commission noted that it was not compulsory to include the above-mentioned indicators at the stage of the complaint. The Commission examined these indicators during the investigation in section 4. Therefore, the claim was rejected.
- (26) AUMI and CNFPIA argued that the complaint did not include reliable information to support the claim that the Union industry was suffering material injury. On macro-indicators, AUMI and CNFPIA claimed that the production volumes, capacity utilization, sales, and employment within the Union were stable from 2020 to 2022 and only declined in the investigation period as a result of the decrease in demand in the Union. Furthermore, AUMI and CNFPIA indicated that Union producers increased their market share and prices during the investigation period in the complaint showing that Union producers had a robust economic health. On micro-indicators, AUMI and CNFPIA stated that production, sales, and employment data for the Complainants only worsened during the investigation period. Furthermore, AUMI and CNFPIA submitted that Union producers had increased their investments by 56% over the period covered by the complaint, which was evidence of their financial robustness. AUMI and CNFPIA indicated that during the investigation period, Chinese exporting producers seem to have adapted better to declining Union demand: while Chinese imports had decreased, stocks levels of Union producers increased. On financial performance, AUMI and CNFPIA noted that Union producers appear to have improved both sales and profitability between 2020 and 2022 despite the increase in Chinese imports during that period. Finally, AUMI also argued that Chinese imports increased by 21% during the period covered by the complaint, while at least one Union producer undercut the price of unrelated importers and still made profits.
- (27) As a preliminary comment, the Commission recalled that a *prima facie* finding of material injury requires an examination, *inter alia*, of the relevant factors as described in Article 5(2) (d) of the basic Regulation. Indeed, the wording of Article 5(2) of the basic Regulation states that the complaint shall contain the information on changes in the volume of the allegedly dumped imports, the effect of those imports on prices of the like product on the Union market and the consequent impact of the imports on the Union industry, as demonstrated by relevant (not necessarily all) factors and indices having a bearing on the state of the Union industry, such as those listed in Articles 3(3) and 3(5) of the basic Regulation. Furthermore, Article 3(5) of the basic Regulation states that the list is not exhaustive, nor can any one or more of these factors necessarily give decisive guidance. Therefore, not all factors must show deterioration in order for a *prima facie* finding of material injury to be established. Furthermore, the existence of other factors which may have an impact on the situation of the Union industry does not necessarily imply that the effect of dumped imports on this industry is not material.
- (28) The specific injury analysis of the complaint performed by the Commission showed that there was sufficient evidence pointing to increased penetration of the Union market (both in absolute and relative terms) by imports from China at prices which undercut and undersell the Union industry's own prices. This appears to have had a materially injurious impact on the state of the Union industry, shown for example by the decrease in production, sales and market share, by a deterioration of financial results or by the level of prices charged by the Union industry. As regards the claims on specific macro-indicators, micro-indicators and price undercutting, in section 4 the Commission provided the detailed assessment on material injury during the period considered. Therefore, the claim was rejected.

2. PRODUCT UNDER INVESTIGATION, PRODUCT CONCERNED AND LIKE PRODUCT

2.1. Product under investigation

- (29) The product under investigation is assembled flooring panels, multilayer, of wood, currently falling under CN code 4418 75 00 (the product under investigation). Panels of bamboo or with at least the top layer (wear layer) of bamboo, and panels for mosaic floors are excluded.

- (30) MWF is a wood-based manufactured product comprised of several layers of wood veneers which are glued or bonded together. MWF is mainly used for indoor flooring.

2.2. Product concerned

- (31) The product concerned is the product under investigation originating in the PRC ('the product concerned')

2.3. Like product

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

- the product concerned when exported to the Union;
- the product under investigation produced and sold on the domestic market of the PRC; and
- the product under investigation produced and sold in the Union by the Union industry.

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

3. DUMPING

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

- (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 the PRC, the Commission considered it appropriate to initiate the investigation with regard to the exporting producers from this country having regard to Article 2(6a) of the basic Regulation.
- (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 the PRC to provide information regarding the inputs used for producing MWF. 73 exporting producers submitted the relevant information.
- (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, 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.
- (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 Türkiye as an appropriate representative country pursuant to Article 2(6a)(a) of the basic Regulation for the purpose of determining the normal value based on undistorted prices or benchmarks. The Commission further stated that it would examine other possibly appropriate representative countries in accordance with the criteria set out in 2(6a)(a) first indent of the basic Regulation.

- (38) On 23 August 2024, the Commission informed interested parties by a note ('the Note') 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 MWF. In addition, based on the criteria guiding the choice of an appropriate representative country pursuant to Article 2(6a)(a) of the basic Regulation and the availability of relevant financial information, the Commission identified three possible representative countries, namely Türkiye, Indonesia and Malaysia. Based on the information that was available to the Commission at the time, it considered that that Türkiye could be an appropriate representative country. The Commission received two submissions with comments on the Note jointly from two groups of exporting producers, namely the JINFA group and the Fusong Jinlong Group. The European Parquet Federation (complainant) also submitted comments. The comments are addressed in detail in section 3.2.
- (39) After having analysed the comments and information received, the Commission concluded that Türkiye was an appropriate representative country from which undistorted prices and costs would be sourced for the determination of the normal value.

3.2. Normal value

- (40) 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'*.
- (41) However, according to Article 2(6a)(a) of the basic Regulation, *'in case it is determined [...] that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions within the meaning of point (b), the normal value shall be constructed exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks', and 'shall include an undistorted and reasonable amount of administrative, selling and general costs and for profits' ('administrative, selling and general costs' is referred hereinafter as 'SG&A').*
- (42) As further explained below, the Commission concluded in the present investigation that, based on the evidence available, and in view of the lack of cooperation of the GOC and the exporting producers, the application of Article 2(6a) of the basic Regulation was appropriate.

3.2.1. Existence of significant distortions

- (43) 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.'*
- (44) 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.

- (45) 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.
- (46) 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'.
- (47) Pursuant to this provision, the Commission issued a country report concerning China ('Report') ⁽⁶⁾, which contains evidence of the existence of substantial government intervention at many levels of the economy, including specific distortions in many key factors of production (such as land, energy, capital, raw materials and labour), as well as selected sectors (such as the wood-based products sector). Interested parties were invited to rebut, comment or supplement the evidence contained in the investigation file at the time of initiation. The Report was placed on the investigation file at initiation.
- (48) 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.
- (49) To support this position, the complainant referred to the evidence contained in the Report, as well to findings in past Commission and the US authorities' investigations.
- (50) In particular, the complainant pointed out the Commission's previous findings on the Chinese economic system being based on the socialist market economy doctrine, on the leading role of the Communist Party's of China ('CCP' or 'Party') and on the interventionist economic policy of the state.
- (51) Moreover, pointing out that the MWF industry is part of the Chinese forestry and wood products sectors, the complainant recalled the following elements pointing to the existence of significant distortions.
- (52) First, the MWF sector is being served to a significant extent by enterprises that operate under the ownership, control or policy supervision or guidance of state authorities:
- As established in the okoumé plywood case ⁽⁷⁾, the CCP entertained a prominent role in the operations and decision-making processes of Chinese companies, including the private ones.
 - This is apparent also at the level of the China National Forest Product Industry Association ('CNFPIA'). According to Article 4 of CNFPIA's Articles of Association, the organisation '*accepts the professional guidance, supervision and management of [...] the State Forestry and Grassland Administration and the Ministry of Civil Affairs*' ⁽⁸⁾.

⁽⁶⁾ Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 10 April 2024, SWD(2024) 91 final.

⁽⁷⁾ Commission Implementing Regulation (EU) 2023/1159 of 13 June 2023 imposing a definitive anti-dumping duty on imports of okoumé plywood originating in the People's Republic of China following an expiry review, OJ L 153, 14.6.2023, p. 3, rec. 83; http://data.europa.eu/eli/reg_impl/2023/1159/oj.

⁽⁸⁾ Articles of Association of the China Forest Products Industry Association, adopted on 21 April 2009, see at: <http://www.cnfpia.org/about-law.html> (accessed on 25 October 2024).

- In addition, one of the largest forest industry groups in China is the state-owned enterprise ('SOE') Jilin Forest Industry Group Co., Ltd. ('Jilin Group'). The Jilin Group is a leading Chinese manufacturer of wood flooring products and owns a standing forest stock of 172 000 000 cubic meters (the group singlehandedly controls eight national forest parks in China) ⁽⁹⁾.

(53) Second, the state presence in MWF 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 ⁽¹⁰⁾ and the company shall provide the necessary conditions for the activities of the party organization. These rules are also applicable to the Chinese MWF sector. For instance, Zhejiang Yuhua Wood Industry, one of the leading wood products firms and wood flooring in China ⁽¹¹⁾, was founded by a member of the Chinese People's Political Consultative Conference at county level.
- The pervasiveness of state presence in the MWF value chain is a further evidence of the GOC's ability to interfere in that industry with respect to prices and costs, not least given its presence and intervention in the Chinese financial markets and in the provision of raw materials ⁽¹²⁾.

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

- Public procurement rules are regularly used in pursuit of policy goals other than economic efficiency ⁽¹³⁾. Similarly, the investment screening as well as various incentives, restrictions, and prohibitions related to investment are used by authorities as tools for supporting industrial policy goals, such as maintaining state control over key sectors or bolstering the domestic industry ⁽¹⁴⁾. Wood flooring products are featured prominently in the PRC's 14th FYP Five-Year Plan ('FYP') on the Development of the Forest and Grassland Industry (2021-2025) ('14th Forest FYP'). Furthermore, as noted by the Commission in the okoumé plywood case and based on the original Chinese version of the document, the 14th Forest FYP sets specific output targets for these markets: '[b]y 2025 [...] the output of flooring will be stabilized at about 800 million square meters, and the output value of wooden furniture will exceed RMB 800 billion' ⁽¹⁵⁾.
- The Chinese forestry and grass industry is also subject of the 2019 Guiding Opinion of the Forestry and Grassland Administration ⁽¹⁶⁾ on Promoting High-Quality Development of the Forestry and Grassland Industry ('Forestry Guiding Opinion') which laid down parameters for the sector's planned development: '[b]y 2025, [...] the supporting capacity of forest and grass resources will be significantly enhanced, [...] and the import and export trade volume of forest products shall reach 240 USD billion' ⁽¹⁷⁾.

⁽⁹⁾ See at: <http://www.jlsgjt.com/english/index.htm> (accessed on 25 October 2024).

⁽¹⁰⁾ Report, Chapter 2, p. 26.

⁽¹¹⁾ See at: <https://www.made-in-china.com/showroom/yuhuatimber/> (accessed on 25 October 2024).

⁽¹²⁾ The Commission reached a similar conclusion in the okoumé plywood case, see Regulation 2023/1159, rec. 59.

⁽¹³⁾ Report, Chapter 7, pp. 167-168.

⁽¹⁴⁾ Report, Chapter 8, pp. 169-170, 200-201.

⁽¹⁵⁾ See Regulation 2023/1159, rec. 61.

⁽¹⁶⁾ 'NFGA'.

⁽¹⁷⁾ See at: https://www.gov.cn/xinwen/2019-02/19/content_5366730.htm (accessed on 25 October 2024).

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

- The Commission established in the glass fibre fabrics case existence of distortions resulting from discriminatory application of relevant legislation, in particular when it comes to insolvency and land use rights allocation ⁽¹⁸⁾.
- In the okoumé plywood case, the Commission noted that the shortcomings of the PRC's system of property rights are particularly apparent in the context of both the country's land-ownership and land-use rights ⁽¹⁹⁾.
- Moreover, since China's forest management is under the jurisdiction of the NFGA, the Chinese forestry authority oversees the approval of all timber processing activities in the country ⁽²⁰⁾.

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

- The Commission found previously that a system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. Only a single union organisation is active in China, but it lacks independence from the state ⁽²¹⁾.
- In addition, the mobility of the Chinese workforce is restricted by the household registration system. This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower wages than those who are holders of the residence registration ⁽²²⁾.

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

- The Chinese banks and other components of the Chinese financial system, such as stock, bond and private equity markets, 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 ⁽²³⁾. Banks remain connected to the state not only through ownership but also by personal relations. Notably, the top executives of large state-owned financial institutions are ultimately appointed by the CCP ⁽²⁴⁾.
- The financial institutions in China operate under rules that direct finances into sectors designated by the government as encouraged or otherwise important ⁽²⁵⁾. This situation results in a bias in favour of lending to SOEs, large, well-connected private firms and firms in key industrial sectors, which means that the availability and cost of capital is not equal for all players in the market ⁽²⁶⁾.

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

⁽¹⁸⁾ See Commission Implementing Regulation (EU) 2020/492 of 1 April 2020 imposing definitive anti-dumping duties on imports of certain woven and/or stitched glass fibre fabrics originating in the People's Republic of China and Egypt, rec. 139-141; http://data.europa.eu/eli/reg_impl/2020/492/oj.

⁽¹⁹⁾ See Regulation 2023/1159, rec. 64.

⁽²⁰⁾ Food and Agriculture Organization, Country Report, "China", 2020, see at: <https://openknowledge.fao.org/server/api/core/bitstreams/8612fc97-9e62-460c-b57e-fdb7f6749772/content> (accessed on 18 November 2024).

⁽²¹⁾ See Regulation 2020/492, rec. 143.

⁽²²⁾ See Regulation 2020/492, rec. 143; Report, pp. 337-341; Regulation 2023/1159, rec. 67.

⁽²³⁾ Report, Chapter 6, pp. 120-135.

⁽²⁴⁾ Report, Chapter 6, p. 119.

⁽²⁵⁾ Report, Chapter 5, pp. 121-122, 126-128 and 133-135.

⁽²⁶⁾ See Regulation 2023/1159, rec. 74.

- (59) The Commission examined whether it was appropriate or not to use domestic prices and costs in China, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation. The Commission did so on the basis of the evidence available on the file.
- (60) That analysis covered the examination of the substantial government interventions in China's economy in general, but also the specific market situation in the relevant sector including the product concerned. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in China.

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

- (61) 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*' ⁽²⁷⁾.
- (62) The state-owned economy is the '*leading force in the national economy*' and the state has the mandate to ensure its '*consolidation and growth*' ⁽²⁸⁾. 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.
- (63) 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 ⁽²⁹⁾.
- (64) 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.
- (65) 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.
- (66) 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*' ⁽³⁰⁾. This illustrates the unquestioned and ever growing control of the CCP over the economic system of China.
- (67) 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.
- (68) 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 ⁽³¹⁾. 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.

⁽²⁷⁾ Report, Chapter 2, p. 7.

⁽²⁸⁾ Report, Chapter 2, p. 7-8.

⁽²⁹⁾ Report, Chapter 2, pp. 10, 18.

⁽³⁰⁾ See at: http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node_2825.html (accessed on 21 October 2024).

⁽³¹⁾ Report, Chapter 2, pp. 29-30.

- (69) 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.
- (70) 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.
- (71) 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.).
- (72) 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 ⁽³²⁾.
- (73) 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 ⁽³³⁾.
- (74) 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 ⁽³⁴⁾.
- (75) 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 ⁽³⁵⁾.
- (76) 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 ⁽³⁶⁾.
- (77) 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 ⁽³⁷⁾.

⁽³²⁾ Report, Chapter 4, pp. 57, 92.

⁽³³⁾ Report, Chapter 6, pp. 149-150.

⁽³⁴⁾ Report, Chapter 6, pp. 153 -171.

⁽³⁵⁾ Report, Chapter 7, pp. 204-205.

⁽³⁶⁾ Report, Chapter 8, pp. 207-208, 242-243.

⁽³⁷⁾ Report, Chapter 2, p. 19-24, Chapter 4, p. 69, pp. 99-100, Chapter 5, pp. 130-131.

- 3.2.1.2. Significant distortions according to Article 2(6a)(b), first indent of the basic Regulation: the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country
- (78) In China, enterprises operating under the ownership, control and/or policy supervision or guidance by the state represent an essential part of the economy.
- (79) The sector of the product concerned is mainly served by private companies, such as Nature Home ⁽³⁸⁾, Power Dekor ⁽³⁹⁾ or Der ⁽⁴⁰⁾ but also, to some extent, by SOEs like the Jilin Group ⁽⁴¹⁾.
- (80) However, CCP interventions into operational decision making have become the norm not only in SOEs but also in private companies ⁽⁴²⁾, with the CCP claiming leadership over virtually every aspect of the country's economy. Indeed, the state's influence by means of CCP structures within companies effectively results in economic operators being under the government's control and policy supervision, given how far the state and Party structures have grown together in China.
- (81) Moreover, the MWF sector is subject to several government policies, as the wood processing sector has been listed as an encouraged industry both in the 2019 Guiding Catalogue for Industry Structural Adjustment ⁽⁴³⁾, as well as in its 2024 updated version ⁽⁴⁴⁾. Similarly, the 14th Forest FYP sets the following objectives: *'Encourage the development, application and promotion of new environmentally friendly adhesives, and gradually increase the proportion of low-formaldehyde and formaldehyde-free wood processing products. Consolidate and enhance traditional advantageous industries such as wood flooring [...]. By 2025, [...] the output of flooring will stabilize at around 800 million square meters' ⁽⁴⁵⁾*.
- (82) Government control and policy supervision can be also observed at the level of the relevant industry associations ⁽⁴⁶⁾. For instance, CNFPIA states in Article 3 of its Articles of Association that the organisation *'accepts the business guidance, supervision and management by the entities in charge of registration and management, by the entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management' ⁽⁴⁷⁾*.
- (83) Nature Home, Der as well as Jilin Forest Industry Jinqiao Flooring Group, a subsidiary of the state-owned Jilin Group, are members of the CNFPIA ⁽⁴⁸⁾.
- (84) Similarly, the China Timber and Wood Products Distribution Association ('CTWPDA') also states in Article 3 of its Articles of Association that the organisation *'accepts the business guidance, supervision and management by the entities in charge of registration and management, by the entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management' ⁽⁴⁹⁾* and presents itself as an *'association subject to the administration of the Ministry of Civil Affairs and the supervision and guidance of the State-Owned Asset Supervision and Administration Commission of the State Council [...]' ⁽⁵⁰⁾*.

⁽³⁸⁾ See at: <https://www.nature-cn.cn/about.html> (accessed on 7 November 2024).

⁽³⁹⁾ See at: <http://www.powerdekor-woodfloor.com/?c=12> (accessed on 7 November 2024).

⁽⁴⁰⁾ See at: <https://www.der.com.cn/index.php/about.html> (accessed on 7 November 2024).

⁽⁴¹⁾ See at: <http://cn.jinqiaoflooringgroup.com/> (accessed on 7 November 2024).

⁽⁴²⁾ See Art. 33 of the CCP Constitution, Article 19 of the Chinese Company Law. See also Report, Chapter 3, pp. 47-50.

⁽⁴³⁾ See Sec. I.1.39, p. 4, available at: <https://www.gov.cn/xinwen/2019-11/06/5449193/files/26c9d25f713f4ed5b8dc51ae40ef37af.pdf>, (accessed on 7 November 2024).

⁽⁴⁴⁾ See Sec. I.1.7, p. 11, available at: <https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/P020231229700886191069.pdf>, (accessed on 7 November 2024).

⁽⁴⁵⁾ See Sec. III.2, p. 4, available at: http://www.gov.cn/zhengce/zhengceku/2022-02/13/content_5673332.htm, (accessed on 7 November 2024).

⁽⁴⁶⁾ Report, Chapter 2, pp. 24-27.

⁽⁴⁷⁾ See at: <http://www.cnfpia.org/about-law.html> (accessed on 7 November 2024).

⁽⁴⁸⁾ See at: <http://www.lcjzw.com/dongtaifabu1/3248.html> (accessed on 8 November 2024).

⁽⁴⁹⁾ See at: https://www.cnwood.org.cn/article/11_1102_0_0.html (accessed on 8 November 2024).

⁽⁵⁰⁾ See at: https://www.cnwood.org.cn/article/11_1101_0_0.html (accessed on 8 November 2024).

- (85) Power Dekor is a member of CTWPDA and the chairman of its board of directors also serves as a vice-president in the association's board of directors ⁽⁵¹⁾.
- (86) Consequently, even privately owned producers in the sector of the product concerned are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the sector are subject to policy supervision and guidance.
- 3.2.1.3. Significant distortions according to Article 2(6a)(b), second indent of the basic Regulation: state presence in firms allowing the state to interfere with respect to prices or costs
- (87) 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.
- (88) 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 ⁽⁵²⁾) and the company shall provide the necessary conditions for the activities of the Party organisation.
- (89) 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 ⁽⁵³⁾, including exercising pressure on private companies to put 'patriotism' first and to follow Party discipline ⁽⁵⁴⁾.
- (90) 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 ⁽⁵⁵⁾. 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.
- (91) 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*) ⁽⁵⁶⁾ was released, which further expanded the role of the Party committees in private enterprises.
- (92) 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 ⁽⁵⁷⁾.
- (93) The present investigation confirmed that overlaps between managerial positions and CCP membership / functions exist also in the MWF sector. To provide an example, a member of the board of directors of Der also serves as the Party secretary of the company's controlling shareholder ⁽⁵⁸⁾. Moreover, the chairman of the board of directors of the Jilin Forestry Jinqiao Flooring Group also serves as the secretary of the group's Party committee ⁽⁵⁹⁾.

⁽⁵¹⁾ See at: https://www.cnwood.org.cn/article/11_1151_0_0.html (accessed on 8 November 2024).

⁽⁵²⁾ Report, Chapter 3, p. 40.

⁽⁵³⁾ 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.

⁽⁵⁴⁾ Report, Chapter 3, p. 41.

⁽⁵⁵⁾ See at: <https://imerics.org/en/comment/who-ccp-chinas-communist-party-infographics> (accessed on 18 October 2024).

⁽⁵⁶⁾ General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era, see at: www.gov.cn/zhengce/2020-09/15/content_5543685.htm (accessed on 21 October 2024).

⁽⁵⁷⁾ Financial Times (2020) - Chinese Communist Party asserts greater control over private enterprise, see at: <https://on.ft.com/3mYxP4j> (accessed on 21 October 2024).

⁽⁵⁸⁾ See at: <http://static.cninfo.com.cn/finalpage/2024-04-20/1219691321.PDF>, p. 45 (accessed on 8 November 2024).

⁽⁵⁹⁾ See at: <http://www.menchuang.net/news/131307.html> (accessed on 8 November 2024).

- (94) Additionally, Power Dekor *'adheres to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and thoroughly studies, publicizes and implements the spirit of the 20th CPC National Congress, providing strong political, ideological and organizational guarantees for the Group to complete its business objectives and tasks and achieve high-quality development'* ⁽⁶⁰⁾.
- (95) 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 ⁽⁶¹⁾. Thus, the state presence in firms, in the MWF and other sectors (such as the financial and input sectors) allows the GOC to interfere with respect to prices and costs.
- 3.2.1.4. Significant distortions according to Article 2(6a)(b), third indent of the basic Regulation: public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces
- (96) 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.
- (97) 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 ⁽⁶²⁾.
- (98) The Chinese authorities have enacted a number of policies guiding the functioning of the sector MWF.
- (99) For example, the Forestry Guiding Opinion contains also the following provision: *'By 2025, the system and mechanism for the rational utilization of forest and grass resources will be basically formed, the supporting capacity of forest and grass resources will be significantly enhanced, the output of high-quality forest and grass products will be significantly increased, and the trade of forest products will be further expanded, striving to increase the national forestry output value by 50% on the current basis. [...] By 2035, [...] the scale of the forest and grass industry will be further expanded, [...] the industry structure will be further optimized, the product quality and level of service will be comprehensively improved, the supervision of resource utilisation will be more efficient, so as to continuously enhance the sector's capacity to serve national strategies.'*
- (100) Furthermore, at provincial level, the Guangxi Autonomous Province's 14th FYP on economic and social development and 2035 perspectives ⁽⁶³⁾ aims to *'complement, strengthen and extend advantageous industry chains'*, including by *'promot [ing] the transformation and upgrading of traditional industries such as [...] wood processing'*. Further, concerning the forestry processing industry: *'focus on the development of papermaking [and] wood-based panels [...]' and 'focus on building an entire industry chain of manufactured board, furniture and home furnishing.'*
- (101) Also at local level, the Shuyang District (Jiangsu province) adopted in January 2024 an Opinion on the High Quality Development of wood processing and furniture manufacturing industry ⁽⁶⁴⁾ aiming to *'[b]y the end of 2026, cultivate 1-2 listed companies, 1-2 enterprise groups with an output value exceeding RMB 5 billion and continuously improve the total quality of the industry [...] [and] improve the industry chain, increase the share of finished products such as high-end flooring, furniture and decorative materials.'*

⁽⁶⁰⁾ See Power Dekor Sustainable Development Report 2023, p. 23, available at: <https://powerdekor.com.cn/93/> (accessed on 8 November 2024).

⁽⁶¹⁾ Report, Chapter 12.

⁽⁶²⁾ Report, Chapter 4, pp. 56-57, 99-100.

⁽⁶³⁾ See Sec. XI.1 and XV.3 of the plan; available at: https://www.ndrc.gov.cn/fggz/fzzlgh/dfzgh/202106/t20210617_1283435.html (accessed on 11 November 2024).

⁽⁶⁴⁾ See at: <https://shyang.investchn.com/news/detail/id/512215.html> (accessed on 11 November 2024).

- (102) Additionally, still in the Jiangsu province, the investigation confirmed the existence preferential policies of the public authorities and state-owned banks towards individual MWF manufacturers, as in the case of Der which signed in 2020 ‘a strategic cooperation agreement with Suzhou Municipal Bureau of Industry and Information Technology, the Industrial and Commercial Bank of China (Suzhou Branch) and the Bank of China (Suzhou Branch)’ ⁽⁶⁵⁾. This agreement was signed under the supervision of CCP members of the Suzhou Municipality Party Committee and aims to ‘support the development of [the] private enterprise and jointly promote the transformation and upgrading of [the] enterprise’.
- (103) 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.
- (104) In sum, the GOC has measures in place to induce operators to comply with the public policy objectives concerning the sector. Such measures impede market forces from operating freely.

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

- (105) 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.
- (106) 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 ⁽⁶⁶⁾.
- (107) 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 ⁽⁶⁷⁾. 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 ⁽⁶⁸⁾. Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land ⁽⁶⁹⁾.
- (108) Much like other sectors in the Chinese economy, the producers of the product concerned are subject to the ordinary rules on Chinese bankruptcy, corporate, and property laws. That has the effect that these companies, too, are subject to the top-down distortions arising from the discriminatory application or inadequate enforcement of bankruptcy and property laws. Those considerations, on the basis of the evidence available, appear to be fully applicable also in the forestry and wood processing sector, and therefore MWF, sector. The present investigation revealed nothing that would call those findings into question.
- (109) 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.

⁽⁶⁵⁾ See at: https://www.sohu.com/a/423747078_120186115 (accessed on 12 November 2024).

⁽⁶⁶⁾ Report, Chapter 6, pp. 171-179.

⁽⁶⁷⁾ Report, Chapter 9, pp. 260-261.

⁽⁶⁸⁾ Report, Chapter 9, pp. 257-260.

⁽⁶⁹⁾ Report, Chapter 9, pp. 252-254.

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

- (110) A system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. China has not ratified a number of fundamental ILO conventions, in particular those on freedom of association and on collective bargaining ⁽⁷⁰⁾.
- (111) 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 ⁽⁷¹⁾. 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.
- (112) 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 ⁽⁷²⁾.
- (113) No evidence was submitted to the effect that the MWF 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).

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

- (114) Access to capital for corporate actors in China is subject to various distortions.
- (115) First, the Chinese financial system is characterised by the strong position of state-owned banks ⁽⁷³⁾, 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) ⁽⁷⁴⁾ and they regularly implement public policies designed by the GOC.
- (116) 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 ⁽⁷⁵⁾. 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.

⁽⁷⁰⁾ Report, Chapter 13, pp. 360-361, 364-370.

⁽⁷¹⁾ Report, Chapter 13, p. 366.

⁽⁷²⁾ Report, Chapter 13, pp. 370-373.

⁽⁷³⁾ Report, Chapter 6, pp. 137-140.

⁽⁷⁴⁾ Report, Chapter 6, pp. 146-149.

⁽⁷⁵⁾ Report, Chapter 6, p. 149.

- (117) 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 ⁽⁷⁶⁾. 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*' ⁽⁷⁷⁾.
- (118) 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 ⁽⁷⁸⁾. This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important ⁽⁷⁹⁾. 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.
- (119) 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.
- (120) Third, although nominal interest rate liberalization was achieved in October 2015, price signals are still not the result of free market forces but are influenced by government-induced distortions. The share of lending at or below the benchmark rate still represented at least one-third of all lending as of the end of 2018 ⁽⁸⁰⁾. Official media in China have recently reported that the CCP called for '*guiding the loan market interest rate downwards*' ⁽⁸¹⁾. Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.
- (121) 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.
- (122) 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.

⁽⁷⁶⁾ See the *Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022)* issued by the China Banking and Insurance Regulatory Commission ('CBIRC') on 28 August 2020; available at: <http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=925393&itemId=928> (accessed on 21 October 2024). The Plan instructs to '*further implement the spirit embodied in General Secretary Xi Jinping's keynote speech on advancing the reform of corporate governance of the financial sector*'. Moreover, the Plan's section II aims at promoting the organic integration of the Party's leadership into corporate governance: '*we shall make the integration of the Party's leadership into corporate governance more systematic, standardised and procedure-based [...] Major operational and management issues must have been discussed by the Party Committee before being decided upon by the Board of Directors or the senior management*'.

⁽⁷⁷⁾ See the *Notice on the Commercial banks performance evaluation method* issued by the CBIRC on 15 December 2020, available at: http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm (accessed on 21 October 2024).

⁽⁷⁸⁾ Report, Chapter 6, pp. 157-158.

⁽⁷⁹⁾ Report, Chapter 6, pp. 150-152, 156-160, 165-171.

⁽⁸⁰⁾ OECD (2019), *OECD Economic Surveys: China 2019*, OECD Publishing, Paris, p. 29, see at: https://doi.org/10.1787/eco_surveys-chn-2019-en (accessed on 21 October 2024).

⁽⁸¹⁾ See at: http://www.gov.cn/xinwen/2020-04/20/content_5504241.htm (accessed on 21 October 2024).

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

3.2.1.8. Systemic nature of the distortions described

- (124) 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.
- (125) 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 (78) - (123). The Commission pointed out that the regulatory setup underpinning those distortions is generally applicable, MWF 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.
- (126) 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.
- (127) 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.
- (128) No evidence or arguments to the contrary has been adduced by the GOC in the present investigation.

3.2.1.9. Arguments from the interested parties

- (129) On 2 September 2024, the Jinfa Group and the Fusong Jinlong Group jointly submitted a set of comments in response to the FOP Note.
- (130) First, the parties took the position that Article 2(6a) of the basic Regulation is inapplicable due to its incompatibility with the WTO agreements and the rulings of the WTO Dispute Settlement Body ('DSB').
- (131) The parties argued in this connection that:
- (a) since some provisions of China's WTO Accession Protocol relevant for dumping calculation expired on 11 December 2016, the EU must respect its corresponding obligations under WTO law;
 - (b) in line with the Appellate Body's findings in DS473, for the purpose of calculating the costs in order to obtain the normal value of the product concerned when the domestic price in the exporting country cannot be used, the investigating authorities are not allowed to evaluate the costs reported in the records kept by the exporter/producer pursuant to a benchmark unrelated to the costs of production in the country of origin.
- (132) Second, the parties submitted that the alleged distortions are not well evidenced and, even if they were to exist, they did not affect the product concerned.

(133) In particular, the parties argued that:

- (a) the allegations in the complaint are general in nature and concern China's economy structure, rather than the sector of the product concerned. They largely rely on the Report and on previous Commission's investigations. The evidential value and the relevance of the alleged cross-cutting factors existing in China's economy that are deemed distortive according to the Report is questionable. In particular, the Report does not reveal any links to the Chinese MWF industry. With respect to the previous Commission investigation, the complainants' reliance on the findings in the okoumé plywood case is, questionable, since the evidence in that case is different to the one relevant for the present investigation, as well as because the determinations on government interventions pursuant to Article 2(6a)(b) of the basic Regulation from the okoumé plywood case cannot be presumed to equally affect the MWF market;
- (b) the complainants did not provide adequate evidence indicating that the MWF market is served 'to a significant extent' by companies which are under State control, or that there would be State presence in firms 'allowing the State to interfere with respect to prices and costs'. Nor did the complainants specify what is the total number of Chinese MWF producers and the market share of the companies allegedly controlled by the GOC. In this respect, the parties pointed out that the state-owned enterprise Jilin Group, referred to by the complainants, represents solely around 10% of the total exports of the product under investigation to the EU in the investigation period. The parties further submitted that the complainants also failed to produce any evidences demonstrating the CCP presence as far as the parties are concerned.

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

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

(136) Concerning the parties' arguments on sufficiency of evidence to demonstrate the existence of significant distortions, the Commission recalled at the outset that according to Article 2(6a)(e) of the basic Regulation, if the Commission deems the evidence submitted by the complainants on the significant distortions sufficient, it can initiate the investigation on this basis. The Commission pointed out in this context that, as confirmed by the General Court in *Viraj Profiles*, the quantity and quality of the evidence necessary to meet the criteria of the sufficiency of the evidence for the purpose of initiating an investigation is different from that which is necessary for the purpose of a preliminary or final determination of the existence of dumping, injury or of a causal link⁽⁸²⁾. Hence, the complaint met the standards set in Article 5(9) of the basic Regulation, in combination with Article 2(6a)(d). Indeed, as indicated in the Notice of Initiation, the Commission considered at the initiation stage that there was sufficient evidence pursuant to Article 5(9) of the basic Regulation tending to show that, due to significant distortions affecting prices and costs, the use of domestic prices and costs in the PRC would be inappropriate, thus warranting the initiation of an investigation on the basis of Article 2(6a) of the basic Regulation.

⁽⁸²⁾ Judgement of 11 July 2017, *Viraj Profiles v Council*, T-67/14, EU:T:2017:481, para. 98.

- (137) The Commission therefore proceeded to prove such distortions. In order to do so, the Commission has, in line with Article 2(6a)(e) of the basic Regulation, collected the data necessary to determine the existence and impact of significant distortions and the consequent use of the methodology prescribed by Article 2(6a)(a) of the basic Regulation. The data collected by the Commission and the resulting conclusions, whether on presence of state-owned companies in the sector of the product concerned or the links to the CCP are presented in sections 3.2.1.2 and 3.2.1.3 of this Regulation. Therefore, the parties' arguments on the evidence contained in the complaint could not be accepted.

3.2.2. *Representative country*

General remarks

- (138) 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 ⁽⁸³⁾;
 - Production of the product under investigation in that country;
 - Availability of relevant public data in the representative country.
 - Where there is more than one possible representative country, preference was given, where appropriate, to the country with an adequate level of social and environmental protection.
- (139) As explained in recital (38), on 23 August 2024 the Commission issued a note for the file on the sources for the determination of the normal value and on factors of production (hereinafter 'the Note'). The Note described the facts and evidence underlying the relevant criteria and informed interested parties of the possibility to consider Türkiye as an appropriate representative country in the present case if the existence of significant distortions pursuant to Article 2(6a) of the basic Regulation would be confirmed.

A level of economic development similar to the PRC

- (140) In the Note on factors of production, the Commission identified Türkiye, Malaysia and Indonesia as countries with a similar level of economic development as the PRC according to the World Bank, i.e. they are all classified by the World Bank as 'upper-middle income' countries on a gross national income basis where production of the product under investigation was known to take place.
- (141) No comments were received with respect to the level of economic development of the identified countries. Comments regarding the economic conditions in Türkiye were provided by the JINFA group and the Fusong group. These are addressed in recital (151) below.

Availability of relevant readily available data in the representative country

- (142) In the Note, the Commission indicated that for the countries identified as countries where product under investigation is being produced, i.e. Türkiye, Malaysia and Indonesia, the availability of data needed to be further verified, in particular with regard to the readily available data which would allow the Commission to establish undistorted benchmarks for the factors of production, as well as with regard to the readily available financial data from producers of the product under investigation which would allow the Commission to establish an undistorted and reasonable amount for administrative, selling and general costs ('SG&A') and for profits.

⁽⁸³⁾ World Bank Open Data – Upper Middle Income, <https://data.worldbank.org/income-level/upper-middle-income>.

- (143) As regards the readily available data which would allow it to establish undistorted benchmarks of the factors of production ('FOPs'), the Commission analysed in the Note data reported by GTA regarding imports of the main FOPs into the possible representative countries, from China and from other countries with potential distortions, including Russia.
- (144) The Commission noted that for the HS Codes corresponding to certain FOPs (veneers of different wood types blockboard plywood, and poplar sawn wood), there was a high proportion of imports from China into Indonesia and into Malaysia. Moreover, for the HS Code 4408 90, corresponding to veneers (including oak veneers), there was a high proportion of imports from Russia into Türkiye. The Commission considered that, due the sanctions imposed in 2022 on Russia on wood products following the military aggression against Ukraine and the high proportion of imports from Russia into Türkiye, the prices of imports from Russia into Türkiye were likely to be distorted.
- (145) As regards the availability of financial data from producers of the product under investigation, the results of the Commission's preliminary analysis in the Note, based on data from the 'Orbis' database ⁽⁸⁴⁾ were as follows:
- For Malaysia, the Commission was able to identify only one producer of the product under investigation with readily available financial information for 2022, showing positive profitability. However, this financial information was not sufficiently detailed in order to allow for the calculation of its selling, general and administrative expenses (SG&A).
 - For Indonesia, the Commission was not able to identify any producer of the product under investigation with readily available and recent financial information.
 - For Türkiye, the Commission was able to identify eight companies which were apparent producers of the product under investigation and had readily available financial information for 2023, or at least for 2022 out of which one company was not profitable.
- (146) In view of the above, the Commission considered in the Note that, based on the information that was available to it at that time, Türkiye could be an appropriate representative country. The Commission invited interested parties to provide comments on the appropriateness of the possible representative countries, on the identified producers in the potential representative countries, and on the factors of production.
- (147) The Commission received comments on the Note from the European Parquet Federation (complainant) on 2 September 2024. The Commission received joint comments also from two groups of exporting producers, namely the JINFA group and the Fusong Jinlong Group, in two submissions (the first on 2 September 2024 and the second on 19 November 2024).
- (148) The European Parquet Federation ('EPF') stated in its comments that Türkiye could, and in fact, should be selected as the most appropriate representative country, for the following reasons: a) the significant volumes of key raw materials imported into Malaysia and Indonesia from China; b) the specialisation of Malaysia and Indonesia on MWF made from tropical wood, which is not representative of the product imported into the Union from China; c) the lack or incompleteness of appropriate financial information available for producers in Malaysia and Indonesia; and d) the alleged lower level of social and environmental protection in Malaysia and Indonesia compared to Türkiye.
- (149) As regards the volumes of raw materials imported from China into Malaysia and Indonesia and the lack or incompleteness of appropriate financial information for these countries, the Commission noted that EPF's statements are consistent with its preliminary findings as provided in the Note. As regards the alleged focus of Malaysia and Indonesia on MWF made from tropical wood, the Commission noted that, although plausible, the claim was not substantiated, and was therefore provisionally rejected. As regards the relevance of the level of social and environmental protection in the potential representative countries, this is addressed in recital (166) below.

⁽⁸⁴⁾ <https://www.moodys.com/web/en/us/capabilities/company-reference-data/orbis.html>.

- (150) The European Parquet Federation also submitted that four companies listed by the Commission as potential producers of the product under investigation in Türkiye in fact do not produce the product under investigation, but produce other products in the wood sector. In this regard, the Commission conducted further desk research on their activities and confirmed that they are active in the broader wood sector, however it did not find evidence that they are producers of the product under investigation. The Commission took this information into account for the determination of the list of companies whose financial data were used to establish undistorted benchmarks for SG&A and profit, as detailed in recitals (163) and (164) below.
- (151) In their first submission with comments on the Note, the JINFA group and the Fusong group stated that they were not in a position to propose an appropriate representative country. However, they stated that Türkiye is not an appropriate representative country, *inter alia* due to its unstable and exceptional economic situation, including high inflation which would affect all costs of production and other economic indicators, rendering them unreliable and unsuitable as a source for the determination of the normal value. To support their claims, the two parties quoted the most recent Commission country report for Türkiye ⁽⁸⁵⁾. The comments on the economic situation of Türkiye and its appropriateness as a representative country were reiterated in their second submission on the Note.
- (152) In this respect, the Commission recalled the criteria of Article 2(6a)(a) of the basic Regulation for the choice of a representative country and noted that in accordance with the first criterion, all three countries, including in particular Türkiye, have the same level of economic development as China, as evidenced by the database of the World Bank. None of the information in the Commission report cited by JINFA and Fusong Jinlong can call into question the appropriateness of Türkiye on the basis of the first criterion. As regards the claim related to inflation, the Commission noted that the undistorted prices it establishes for the costs of production are expressed in the currency of the country concerned, and differences in inflation between the representative country and the country concerned are already reflected to a significant degree in the respective exchange rate. Therefore, the calculated benchmarks are largely unaffected by inflation in the representative country. The respective argument was therefore rejected.
- (153) In their first submission with comments on the Note, the JINFA group and the Fusong group also claimed that if the Commission concludes that the existence of significant imports of one or several main FOPs from a country where the price is distorted is not problematic to such extent that would immediately exclude that country to be a suitable representative country, this reasoning should not apply only to Türkiye, but also to Malaysia and Indonesia. Therefore, these two countries shall not be considered as inappropriate, on the mere ground that for some of the main FOPs there has been a significant percentage of imports from China.
- (154) In this respect, the Commission clarified that, considering that Malaysia and Indonesia were in the list of possible representative countries in the Note, it is evident that they were not *a-priori* excluded. The Commission recalled that the choice of the representative country is based on the criteria of Article 2(6a)(a) of the basic Regulation. These criteria also include the availability of relevant financial data, which was considered to be lacking for both Malaysia and Indonesia. The respective claim was therefore rejected.
- (155) In their first submission with comments on the Note, the JINFA group and the Fusong group argued that only companies with available financial data for 2023 should be considered for the benchmarks for SG&A and profit. The Commission took this argument into account for the final determination of the list of companies whose financial data were used to establish undistorted benchmarks for SG&A and profit, as detailed in recital (163) below.
- (156) In their second submission to the Note, the JINFA group and the Fusong group stated that unlike Türkiye, Malaysia would be an appropriate representative country.

⁽⁸⁵⁾ https://neighbourhood-enlargement.ec.europa.eu/turkiye-report-2023_en.

- (157) In support of this statement, these two parties provided a number of arguments related to specific FOPs. These are detailed and addressed in recitals (175) to (179) below on the sources used to establish undistorted costs, and on undistorted costs and benchmarks.
- (158) Moreover, these parties identified two Malaysian flooring producers for which the audited financial statements for 2023 are available with sufficient level of detail. The companies are Unilin (Malaysia) Sdn. Bhd. and Kim Teck Lee Timber Flooring Sdn. Bhd. In view of this, Fusong and JINFA argued that compared to Türkiye, Malaysia is also better positioned to offer financial data of quality relating to the investigation period. The parties also provided sources for labour cost and energy prices in Malaysia.
- (159) The Commission confirmed the availability of financial data for the IP for the two Malaysian companies identified by Fusong and JINFA.
- (160) Upon further research, the Commission noted that the first of the two companies, namely Unilin (Malaysia) Sdn. Bhd. is a producer of the product under investigation. However, this company, which is part of a multinational group, reported a very low level of selling, general and administrative (SG&A) expenses, i.e. 2,8% expressed as a percentage of its cost of goods sold. Such level is likely to reflect company specific characteristics that are not representative for the sector. For instance, in view of the fact that the company is part of a multinational group and its operations are focused on production, it is likely that certain SG&A functions, such as sales, IT and HR management are to a certain extent centralised and their costs are not reflected in the company's reported SG&A. This SG&A appears significantly lower as compared to the average SG&A in a country with a significantly more developed MWF sector such as Türkiye (see recital (163) below). This SG&A is also significantly lower compared to the average SG&A reported by the Union industry, which is around 9%, and even compared to the average SG&A reported by the sampled exporting producers, which is about 11%. In view of the above, the SG&A of the aforementioned Malaysian producer cannot be considered as appropriate to be used for the establishment of a reasonable and undistorted benchmark.
- (161) For the second company, namely Kim Teck Lee Timber Flooring Sdn. Bhd., the Commission noted that it is active only in a niche segment of the flooring market, i.e. high-quality sports flooring. Sports flooring represents a very small part of the overall flooring market, which is focused on serving the residential and business customers. This is also because products used in this specific segment must comply with strict technical standards, as evidenced by the relevant certifications obtained and advertised by the company. Based on this the Commission provisionally concluded that they are not representative for the MWF, or for the broader flooring sector.
- (162) Furthermore, the Commission noted that in comparison to Türkiye, the MWF sector in Malaysia is significantly underdeveloped. This is evidenced by the very low number of MWF producers in Malaysia (limited to one or two), compared to several tens of MWF producers in Türkiye⁽⁸⁶⁾. It is also evidenced by the level of exports of MWF from Malaysia, which during the IP was about one third of the respective exports from Türkiye⁽⁸⁷⁾. On this basis, the Commission provisionally concluded that the MWF sector in Türkiye is better reflecting the size of the PRC MWF sector in terms of quantity produced and sold and number of producers active on the market.

⁽⁸⁶⁾ As of November 2024, for Türkiye, Orbis database reports 136 companies active in the manufacture of assembled parquet floors (NACE code 1622). Even considering that only a fraction of this number corresponds to producers of the product under investigation, it would be still much higher than any plausible number of producers in Malaysia. Moreover, the Turkish Statistical Institute reports that in 2023 the production of assembled parquet floors (NACE code 1622 – including mosaic floors) has reached 114 198 274 m². The Commission was not able to find any comparable production statistics for Malaysia.

⁽⁸⁷⁾ Based on GTA for HS Code 441875.

(163) Taking into account the comments on the Note from interested parties and the limited availability of financial information pertaining to producers of the product under investigation, the Commission considered producers in a broader sector, defined by activities falling under NACE codes 1621 (manufacture of veneer sheets and wood based panels), 1622 (manufacture of assembled parquet floors) and 1629 (manufacture of other products of wood, cork, plaiting materials) to be an appropriate source for the relevant financial data. The Commission identified the following companies in Türkiye, with financial data for 2023 showing positive profitability:

- AGT Agac Sanayi Ve Ticaret Anonim Sirketi;
- Orma Orman Mahsulleri Integre Sanayi Ve Ticaret A.S.;
- Pelit Arslan Kontraplak Fabrikasi Anonim Sirketi;
- Dendro Parke Sanayi Anonim Sirketi.

(164) For Pelit Arslan Kontraplak Fabrikasi Anonim Sirketi, the Commission considered that the level of its profit is too high to be representative. For Dendro Parke Sanayi Anonim Sirketi, the Commission noted that in its reports, it did not distinguish between different types of costs with sufficient granularity to allow for a calculation of its SG&A percentage. For the other two companies, the Commission concluded that their reported SG&A and profit levels are suitable for the establishment of a reasonable and undistorted benchmark for SG&A and profit.

(165) In view of the above, the Commission concluded that Türkiye is an appropriate representative country.

Level of social and environmental protection

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

Conclusion

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

Sources used to establish undistorted costs

(168) In the 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 stated that, in order to construct the normal value in accordance with Article 2(6a)(a) of the basic Regulation, it would use GTA 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 national statistics for establishing undistorted costs of labour and energy.

Undistorted costs and benchmarks

Factors of production

(169) Considering all the information submitted by the interested parties and collected during the verification visits, the Commission consolidated and harmonised the descriptions of the factors of production listed in the Note, and corrected or amended, where appropriate, the respective HS Codes. The added HS Codes include 4407 12 (Spruce Sawnwood), 4407 93 Maple Sawnwood, 4407 95 Ash Sawnwood, and 4808 10 Corrugated Paperboard.

- (170) As regards the sources for the determination of the normal value, the main change compared to the Note concerns veneers of different wood species. In the Note, the source considered for these FOPs were GTA data on imports under HS Codes 4408 90 and 4408 10. The Commission took note of the fact that these HS codes are not wood species specific but concern rather broad categories of wood. In particular, HS Code 4408 90 includes all non-coniferous and non-tropical wood species, such as oak, poplar, maple and ash. Similarly, HS Code 4408 10 includes all coniferous woods. The investigation confirmed that prices of this FOP are significantly influenced by the wood species. Therefore, in the absence of any information on the wood species of the imports of veneers into the potential representative countries, the Commission considered that, in particular for certain veneers which constitute main factors of production, such as veneers of oak and poplar, GTA data on imports under these HS Codes are not appropriate source of information for establishing a corresponding cost.
- (171) The Commission therefore established a benchmark for veneers on the basis of the respective benchmark for sawn wood, where the respective information is available and is wood species specific. In particular, for veneers made of oak, pine, ash, maple and poplar, the benchmarks were established on the basis of the respective benchmarks for sawn wood (HS Codes 4407 91, 4407 11, 4407 95, 4407 93 and 4409 97).
- (172) The calculation is specific for each exporting producer group and relied on the information that the respective group provided during the verification visits, regarding the yield of the raw material and regarding the additional factors for processing one cubic meter of sawn wood into veneers. For one exporting producer group which, due to its production process, did not have this information available, the calculation was based on the average values for the yield and the additional processing factors provided by the other two groups. For reasons of confidentiality, the details of the calculation were provided to exporting producers as part of the specific disclosure.
- (173) With respect to poplar sawn wood (classified under HS Code 4407 97), which is also a main factor of production, the Commission noted that quantities imported into Türkiye are very low and therefore, the respective import price might not be representative. In view of this, for establishing a benchmark for poplar sawn wood, the Commission used information on imports into Malaysia. The selection took into account that Malaysia has some production of the product under investigation, products classified under this HS code are imported in significantly higher quantities in Malaysia, and with no or limited share of imports from China and from countries listed in Annex 1 of Regulation (EU) 2015/755. This is in contrast to Indonesia, where imports from China were significant.
- (174) For veneers made of hickory and walnut (for which no wood specific HS Code exists for the respective sawn wood), and for veneers for which the wood species is not specified, the benchmark was established on the basis of imports into Türkiye under Code 4408 90 95, corresponding to veneers of non-tropical and non-coniferous woods thicker than 1mm. The Commission noted that veneers of wood species other than oak, poplar and pine represent a very small percentage of the total quantity of veneers and of the overall cost of production.
- (175) In their second submission on the Note, Fusong and JINFA made several points on the potential benchmarks for the main FOPs. Specifically, they argued that:
- First, for one of the most important FOPs, i.e. veneers falling under HS Code 4408 90, imports from Russia, whose prices the Commission considered in the Note as likely distorted, constitute a very high percentage of the overall imports into Türkiye. Moreover, after excluding the imports from Russia and China, the remaining imports into Malaysia are nearly four times the imports into Türkiye in terms of quantity.
 - Second, for other important FOP, i.e. sawn wood of poplar or spruce for the core layer, falling under HS codes 4407 97 or 4407 13 respectively, there are only negligible imports into Türkiye during the investigation period.

- Third, in its 8-digit level codes under HS code 4408 90, the Malaysian nomenclature for customs classification makes a distinction between face veneers (Code 4408 90 10), which are relevant for the production of the product under investigation, and other veneers (Code 4408 90 90), which are not relevant. By contrast, the Turkish nomenclature makes no such distinction. If however the Commission decides to rely on import statistics into Türkiye to establish the benchmark prices of face veneer classifiable under HS code 4408 90, only those imported under the sub-level code 4408 90 95 (veneers thicker than 1mm) should be used.
 - Fourth, prices of imports of veneers into Malaysia under the above mentioned 8-digit level code 4408 90 10, which is relevant for the production of the product under investigation are higher from China than from the rest of the world. This demonstrates that imports from China cannot have a distortive effect on Malaysian local prices for this FOP.
- (176) As regards the first, the third, and the fourth point, as explained in recitals (170) to (172) above, for veneers made of oak, pine, ash, maple and poplar, the benchmarks were established on the basis of the respective benchmarks for sawn wood. Therefore, the imports from Russia and the PRC under HS Code 4408 90 were not relevant for these benchmarks, while the HS Codes for the respective sawn wood do not have significant imports from Russia and the PRC. Moreover, the distinction made in the Malaysian nomenclature under HS Code 4408 90 (face veneers and other veneers) is still not wood specific, and therefore cannot be used to establish a reliable benchmark for the veneers which are main FOPs, or to draw conclusions on distortions.
- (177) As explained above, for veneers made of hickory and walnut, for which no wood specific HS Code exists for the respective sawn wood, as well for veneers made from other (unspecified) types of wood, the benchmarks were established on the basis of imports under CN Code 4408 90 95. This is because, as Fusong and JINFA also suggested, this CN Code corresponds more closely to the input used, in particular in terms of veneer thickness. In any event and as explained above, veneers made of hickory, walnut, or other types of wood are not main FOPs, but constitute a very small proportion of the total raw material costs. Therefore, the benchmarks for these FOPs cannot have an appreciable impact on the calculation of the normal value.
- (178) As regards the second point, the Commission noted that out of the two raw materials, only poplar sawn wood is a main FOP. As explained in recital (173), for this FOP the Commission decided to use data on imports from Malaysia, which show significantly higher quantities compared to Türkiye.
- (179) Overall, the Commission considered that the points made by JINFA and Fusong do not call into question a) the chosen sources and methodology for establishing undistorted prices for raw materials; and b) the selection of Türkiye as an appropriate representative country and were therefore dismissed.
- (180) In view of the above, the following factors of production and their sources have been identified in order to determine the normal value in accordance with Article 2(6a)(a) of the basic Regulation:

Table 1

Factors of production of product under investigation

Factor of production	Commodity Code	Source	Unit of measurement	Undistorted value (CNY)
Raw materials				
Paint (non-aqueous medium)	320810	Global Trade Atlas (GTA) – Türkiye	kg	44,24
Paint (aqueous medium)	320990	Global Trade Atlas (GTA) - Türkiye	kg	26,04

Factor of production	Commodity Code	Source	Unit of measurement	Undistorted value (CNY)
Oil	340520	Global Trade Atlas (GTA) - Türkiye	kg	36,22
Glue	350691	Global Trade Atlas (GTA) - Türkiye	kg	30,76
Plastic Film	392010	Global Trade Atlas (GTA) - Türkiye	kg	23,73
Plastic strip	392390	Global Trade Atlas (GTA) - Türkiye	kg	37,35
Oak Log	44039100	Global Trade Atlas (GTA) - Türkiye	M3	5 849,20
Maple Log	44039900	Global Trade Atlas (GTA) - Türkiye	M3	6 472,37
Pine Sawnwood	440711	Global Trade Atlas (GTA) - Türkiye	M3	1 664,52
Spruce Sawnwood	440712	Global Trade Atlas (GTA) - Türkiye	M3	1 730,54
Spruce Sawnwood (SPF)	440713	Global Trade Atlas (GTA) - Türkiye	M3	2 875,22
Oak Sawnwood	440791	Global Trade Atlas (GTA) - Türkiye	M3	7 426,92
Maple Sawnwood	440793	Global Trade Atlas (GTA) - Türkiye	M3	8 178,60
Ash Sawnwood	440795	Global Trade Atlas (GTA) - Türkiye	M3	6 838,62
Poplar Sawnwood	440797	Global Trade Atlas (GTA) - Malaysia	M3	2 530,52
Pine Veneer	440810	Calculation on the basis of the respective benchmark for sawn wood	M3	per exp. producer (confidential)
Ash Veneer	440890	Calculation on the basis of the respective benchmark for sawn wood	M3	per exp. producer (confidential)
Hickory Veneer	44089095	Global Trade Atlas (GTA)	M3	2 455,18
Maple Veneer	440890	Calculation on the basis of the respective benchmark for sawn wood	M3	per exp. producer (confidential)
Oak Veneer	440890	Calculation on the basis of the respective benchmark for sawn wood	M2	per exp. producer (confidential)
Other wood for Top layer	44089095	Global Trade Atlas (GTA)	M3	2 455,18
Poplar Veneer	440890	Calculation on the basis of the respective benchmark for sawn wood	M3	per exp. producer (confidential)
Walnut Veneer	44089095	Global Trade Atlas (GTA) - Türkiye	M3	2 455,18

Factor of production	Commodity Code	Source	Unit of measurement	Undistorted value (CNY)
MDF	441113	Global Trade Atlas (GTA) - Türkiye	M3	7 423,60
Veneer Plywood	441233	Global Trade Atlas (GTA) - Türkiye	M3	5 184,72
Blockboard Plywood	441252	Global Trade Atlas (GTA) - Türkiye	M3	5 460,72
Corrugated Paperboard	480810	Global Trade Atlas (GTA) - Türkiye	kg	5,78
Carton	481910	Global Trade Atlas (GTA) - Türkiye	kg	16,78
Wood dust	440141	Global Trade Atlas (GTA) - Türkiye	kg	2,35

Labour

	n/a	National statistics	hours	36,10
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Energy

Coal	270119	Global Trade Atlas (GTA) - Türkiye	kg	0,72
Raw Coal	270112	Global Trade Atlas (GTA) - Türkiye	kg	1,00
Scrap Wood	440149	Global Trade Atlas (GTA) - Türkiye	kg	0,18
Biomass pellet fuel	440131	Global Trade Atlas (GTA) - Türkiye	kg	1,39
Electricity	n/a	National statistics	kWh	0,89
Gas	n/a	National statistics	M3	4,11
Steam	n/a	Calculation based on the cost of gas	kg	0,40
Water	n/a	National statistics	M3	4,96

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

3.2.2.1. Raw materials

- (182) 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 the representative country as reported in the GTA to which import duties and transport costs were added. An import price in the representative country was determined as a weighted average of unit prices of imports from all third countries excluding the PRC and countries which are not members of the WTO, listed in Annex 1 of Regulation (EU) 2015/755 of the European Parliament and the Council⁽⁸⁸⁾. The Commission decided to exclude imports from the PRC into the representative country as it concluded in recitals (126) and (127) that it is not appropriate to use domestic prices and costs in the PRC due to the existence of significant distortions in accordance with Article 2(6a)(b) of the basic Regulation. Given that there is no evidence showing that the same distortions do not equally affect products intended for export, the Commission considered that the same distortions affected export prices. The remaining volumes were considered by the Commission to be representative.
- (183) Furthermore, in the Note, the Commission had observed that a significant percentage of imports falling under HS Code 4408 90 (veneers) into Türkiye were from imported from Russia, and due to the sanctions imposed on Russia the prices of such imports were likely to be distorted. In view of this, the Commission considered that if Türkiye is selected as the representative country, imports from Russia should not be taken into account for the benchmark determination of 4408 90.
- (184) In their first submission on the Note, Fusong and JINFA argued that Russian imports should not be excluded from the calculation of the undistorted value because their prices have been rising in 2022 and 2023 and therefore, they cannot have been affected by sanctions.
- (185) In view of the methodology adopted for the establishment of the benchmark for the main FOPs for veneers, the Commission considered that the percentage of Russian imports under HS Code 4408 90 is no longer relevant. In view of the zero or limited proportion of Russian imports for the other raw materials, and without taking a position on the likelihood that such imports are distorted, the Commission decided to include Russian imports in its calculations.
- (186) In order to establish the undistorted price of raw materials, as provided by Article 2(6a)(a), first indent of the basic Regulation, the Commission added the relevant import duties to the CIF value recorded in the import statistics of the representative country, as available in GTA.
- (187) 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.

3.2.2.2. Labour

- (188) The Turkish Statistical Institute⁽⁸⁹⁾ publishes detailed information on wages in different economic sectors in Türkiye. The Commission used the latest available statistics covering 2022 for average labour cost for the economic activity C.16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials) according to NACE Rev.2 classification. The 2022 average monthly value was duly adjusted for inflation using the labour cost index as published by the Turkish Statistical Institute⁽⁹⁰⁾ to adapt to 2023 (IP), i.e. 36,10 CNY/hour.

⁽⁸⁸⁾ 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). Article 2(7) of the basic Regulation considers that domestic prices in those countries cannot be used for the purpose of determining normal value.

⁽⁸⁹⁾ <http://www.turkstat.gov.tr> => Press releases => select Labour Cost Statistics.

⁽⁹⁰⁾ <http://www.turkstat.gov.tr> => Press releases => select Labour Cost index.

3.2.2.3. Electricity

- (189) The Commission used the electricity price statistics published by the *Energy Market Regulatory Authority (EMRA)* ⁽⁹¹⁾ in its regular press releases. The Commission used the data of the industrial electricity prices in Kuruş/kWh for the industrial sector for 2023 covering the investigation period, i.e. 0,89 CNY/KWh.

3.2.2.4. Natural gas

- (190) The Commission used the price of gas for industrial users in Türkiye as published by the Turkish Statistical Institute in its regular press releases. The Commission used the data of the gas prices in the corresponding consumption band in Kuruş/m³ duly adjusted for inflation using the Producer Price Index published by the Turkish Statistical Institute ⁽⁹²⁾ adapted to the investigation period, i.e. 4,11 CNY/m³. The price is adjusted for VAT of 18%, as the quoted price is VAT included.

3.2.2.5. Steam

- (191) The Commission calculated the price of steam in Türkiye for the investigation period using the methodology suggested by the U.S. Department for Energy ⁽⁹³⁾ based on the cost of gas required to produce it, and adding reasonable margins for other operating costs, SG&A and profit. The resulting average price for 2023 is 0,4 CNY/kg.

3.2.2.6. Water

- (192) The Commission used the average cost of water in Türkiye as published by the Presidency of the Republic of Türkiye Investment Office ⁽⁹⁴⁾ for 2023, i.e. 4,96 CNY/m³. This price includes sewage allowance and cleaning fee, but excludes VAT.

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

- (193) 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.
- (194) The manufacturing overheads incurred by the cooperating exporting producers were expressed as a share of the costs of manufacturing actually incurred by the exporting producers. This percentage was applied to the undistorted costs of manufacturing.
- (195) For establishing an undistorted and reasonable amount for manufacturing overheads, SG&A, profit and depreciation, the Commission relied on the financial data for 2023 for the following companies as extracted from Orbis:

- AGT Agac Sanayi Ve Ticaret Anonim Sirketi;
- Orma Orman Mahsulleri Integre Sanayi Ve Ticaret A.S..

3.2.3. Calculation

- (196) 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.

⁽⁹¹⁾ EMRA | Energy Market Regulatory Authority (epdk.gov.tr) => Press releases => select Electricity electricity market board decisions.

⁽⁹²⁾ <http://www.turkstat.gov.tr> => Press releases => select Producer Price Index.

⁽⁹³⁾ https://www1.eere.energy.gov/manufacturing/tech_assistance/pdfs/steam15_benchmark.pdf. The methodology refers to the cost of saturated steam for typical values of operating pressure and feedwater temperature. In the application of the methodology, an average of these typical values was used.

⁽⁹⁴⁾ <https://www.invest.gov.tr/en/investmentguide/pages/cost-of-doing-business.aspx>.

- (197) First, the Commission established the undistorted manufacturing costs. The Commission applied the undistorted unit costs to the actual consumption of the individual factors of production of the cooperating exporting producer. These consumption rates provided by the applicant were verified during the verification. The Commission multiplied the usage factors by the undistorted costs per unit observed in the representative country, as described in section 3.2.2.1.
- (198) Then the Commission added manufacturing overheads and depreciation, as explained in recital (194) to the undistorted cost of manufacturing in order to arrive at the undistorted costs of production.
- (199) To the costs of production established as described in the previous recital, the Commission applied SG&A and profit of the three companies listed in recital (195). SG&A expressed as a percentage of the Costs of Goods Sold ('COGS') and applied to the undistorted costs of production, amounted to 19,5%. The profit expressed as a percentage of the COGS and applied to the undistorted costs of production, amounted to 28%.
- (200) 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.

3.2.4. Export price

- (201) The sampled exporting producers exported to the Union either directly to independent customers, or through related companies in the PRC which however performed minimal functions.
- (202) In view of this, 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.

3.2.5. Comparison

- (203) 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.

3.2.5.1. Adjustments made to the normal value

- (204) As explained in recital (196), 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 for profit, which were considered to be reasonable for that level of trade. It follows that no netting back was necessary.
- (205) Regarding allowances, the Commission found that the HS code under which the product under investigation is classified for exports in the PCR is subject to a non-refundable VAT of 13%, whereas the normal value had been constructed net of VAT. Therefore, in order to ensure a fair comparison, an upward adjustment of the normal value has been made in accordance with Article 2(10)(k) of the basic Regulation for the exporting producers subject to this VAT.
- (206) The Commission found no reasons for making any other allowances to the normal value, nor were such allowances claimed by any of the sampled exporting producers.

3.2.5.2. Adjustments to the export price

- (207) In order to net the export price back to the *ex-works* level of trade, adjustments were made on the account of transport, insurance, handling and loading, as well as packing.

- (208) Allowances were made for the following factors affecting prices and price comparability: credit costs, bank charges and commission. These, as well the costs in the previous recital were deducted from the export price, on the basis of the data reported by the exporter, at transaction level.

3.2.6. *Dumping margins*

- (209) For the sampled cooperating 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.
- (210) On this basis, the provisional weighted average dumping margins expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Group	Provisional dumping margin
Forest Group	55,5%
Fusong Group	60,4%
JINFA Group	42,7%

- (211) For the cooperating exporting producers outside the sample, the Commission calculated the weighted average dumping margin, in accordance with Article 9(6) of the basic Regulation. Therefore, that margin was established on the basis of the margins of the sampled exporting producers.
- (212) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 50,7%.
- (213) For all other exporting producers in the PRC, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the total imports from the country concerned to the Union in the IP, that were established on the basis of data from Eurostat.
- (214) The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted more than 80% of the total imports during the IP. On this basis, the Commission decided to establish the dumping margin for non-cooperating exporting producers at the level of the cooperating sampled company with the highest dumping margin.
- (215) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Forest group	55,5%
Fusong group	60,4%
JINFA group	42,7%
Other cooperating companies	50,7%
All other imports originating in the PRC	60,4%

4. INJURY

4.1. Definition of the Union industry and Union production

- (216) The like product was manufactured by around 200 ⁽⁹⁵⁾ producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (217) The total Union production during the investigation period was established at around 48 000 square meters. The Commission established the figure on the basis of the verified macro questionnaire submitted by FEP. As indicated in recital (7), three sampled Union producers represented more than 20% of the total Union production of the like product.

4.2. Determination of the relevant Union market

- (218) To establish whether the Union industry suffered injury and to determine consumption and the various economic indicators related to the situation of the Union industry, the Commission examined whether and to what extent the subsequent use of the Union industry's production of the like product had to be taken into account in the analysis.
- (219) MWF can be used in the production of finished goods for the construction industry such as stairs and skirting boards. The Commission found that a very small proportion of the Union producers' production was destined for captive use (less than 1% on average over the period considered). In this respect, MWF was simply transferred (without invoice) within the same production site or company for further downstream processing.
- (220) The distinction between captive and free market is relevant for the injury analysis because products destined for captive use are not exposed to direct competition from imports. By contrast, production destined for free market sale is in direct competition with imports of the product concerned.
- (221) However, due to the very small quantity of MWF used captively, the Commission did not consider that it would be meaningful to separate the injury indicators between captive and free consumption beyond the data shown in Table 2.

4.3. Union consumption

- (222) The Commission established the Union consumption on the basis of the verified macro questionnaire reply for the sales of the Union industry in the Union and Eurostat for imports.
- (223) Union consumption developed as follows:

Table 2

Union consumption (square meters)

	2020	2021	2022	Investigation period (2023)
Total Union consumption	70 383 041	75 151 588	77 580 866	50 509 888
<i>Index</i>	100	107	110	72
Captive market	791 459	753 192	563 601	772 780
<i>Index</i>	100	95	71	98

⁽⁹⁵⁾ FEP complaint Annex 4.

	2020	2021	2022	Investigation period (2023)
Free market	69 591 582	74 398 396	77 017 265	49 737 108
<i>Index</i>	<i>100</i>	<i>107</i>	<i>111</i>	<i>71</i>

Source: Verified macro questionnaire reply and Eurostat

- (224) Total Union consumption increased from around 70,4 million square meters in 2020 to around 77,6 million square meters in 2022, an increase of 10%. However, in 2023 total Union consumption fell to around 50,5 million square meters which represented a fall of 28% as compared to 2020.
- (225) Free Union consumption developed in a very similar manner as the total Union consumption. It increased from around 69,6 million square meters in 2020 to around 77,0 million square meters in 2022, an increase of 11%. However, in 2023 free Union consumption fell to around 49,7 million square meters which represented a fall of 29% as compared to 2020.
- (226) Captive use was very low compared to total consumption. Its development was more stable and fell by only 2% over the period considered.

4.4. Imports from the country concerned

4.4.1. Quantity and market share of the imports from the country concerned

- (227) The Commission established the quantity of imports on the basis of Eurostat data. Eurostat recorded the quantity of imports primarily in mass (kg) and also in square metres as a supplementary unit. However, as mentioned in the complaint, it was clear that the supplementary units recorded were not reliable because the resulting surface density for some of the recorded import data was not an appropriate surface density for MWF. In the complaint, the complainant adjusted the supplementary units if they were not in the range of 7 and 9,5 for surface density, in order to correct the figures reported in square metres. This range had been identified from publicly available sources by the complainant. However, during the investigation the Commission had access to a wider range of data than was available at the complaint stage. The adjustments were therefore made if the surface density was not in the range of 4,59 and 14,94 based on the data available for the co-operating companies in this investigation. If an adjustment was needed, the weighted average surface density obtained from the co-operating parties was used (7,73), and a revised import quantity in square metres was obtained. This methodology was applied to imports of all countries for the four years of the period considered. The market share of the imports from the country concerned was established on the basis of Union imports from all countries as recorded by Eurostat, but with adjustments to the supplementary units as mentioned above, plus the verified sales on the Union market submitted by FEP for the Union producers.
- (228) Table 3 records the adjusted import quantity in square meters, and also provides the data by mass in kg. The data in kg demonstrates that the adjustment methodology had a positive correcting impact on the import data rather than having a distorting effect.

Table 3

Import volume (square meters and kg) and market share

	2020	2021	2022	Investigation period (2023)
Volume of imports from the country concerned (square meters)	11 704 508	14 701 223	19 573 928	11 202 585
<i>Index</i>	<i>100</i>	<i>126</i>	<i>167</i>	<i>96</i>

Market share	16,8%	19,8%	25,4%	22,5%
<i>Index</i>	100	117	151	134
Volume of imports from the country concerned (kg)	92 811 900	113 925 300	154 565 300	88 459 100
<i>Index</i>	100	123	167	95

Source: Eurostat

- (229) Imports from the country concerned increased from around 11,7 million square meters in 2020 to around 19,6 million square meters in 2022, an increase of 67%. However, in 2023 these imports fell to around 11,2 million square meters which represented a fall of 4% as compared to 2020.
- (230) Imports by weight in kg followed a very similar trend to that of square meters.
- (231) In terms of market share, imports (in square meters) from the country concerned increased from 16,8% in 2020 to 25,4% in 2022, an increase of 51%. However, in 2023 the market share of these imports fell to 22,5% which still represented an increase of 34% as compared to 2020.

4.4.2. Prices of the imports from the country concerned and price undercutting

- (232) The Commission established the prices of imports on the basis of the verified replies of the sampled Chinese exporting producers regarding invoice value (in CNY converted to EUR per square meters) and using Eurostat data in weight (EUR per kg). As mentioned above the prices of the imports using the supplementary data in square meters in Eurostat was not reliable.
- (233) Price undercutting of the imports was established on the basis of the verified CIF prices of the sampled Chinese exporting producers and the EXW prices of the sampled Union producers.
- (234) The weighted average price of imports into the Union from the country concerned developed as follows:

Table 4

Import prices (EUR/ square meter and EUR/ kg)

	2020	2021	2022	Investigation period (2023)
China – sampled exporters invoice prices (EUR/ square meter)	19,1	19,8	23,2	21,1
<i>Index</i>	100	104	121	111
China – Eurostat data (EUR/ kg)	2,59	2,80	3,35	2,93
<i>Index</i>	100	108	130	113

Source: sampled exporting producers and Eurostat

- (235) Chinese export prices as reported by the sampled Chinese exporting producers converted to EUR per square meters increased by 21% from 2020 to 2022. However, these prices fell by 10% in 2023. Prices in 2023 were 11% higher than those in 2020.

- (236) Chinese import prices based on Eurostat in EUR/kg increased by 30% from 2020 to 2022. Prices increased by 20% in 2022 as compared to 2021. However, these prices fell by 13% in 2023. Prices in 2023 were 13% higher than those in 2020.
- (237) The Commission determined the price undercutting during the investigation period by comparing:
- (a) the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level; and
 - (b) the corresponding weighted average prices per product type of the imports from the sampled Chinese producers to the first independent customer on the Union market, established on a Cost, insurance, freight (CIF) basis, with appropriate adjustments for post-importation costs (the customs duty on such imports was 0%).
- (238) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period. It showed a weighted average undercutting margin of between 31,0% and 35,9% by the imports from the country concerned on the Union market. Over 95% of matched imports were found to be undercutting. In addition, around 93% of imports of the sampled exporting producers were matched to exact types sold by the Union industry.
- (239) The Chinese exporting producer JINFA proposed changes to the Product Control Number (PCN) structure. JINFA proposed an increase in the granularity for the thickness of the top layer and for the grading. JINFA also proposed adding one more parameter on the overall thickness. F. W. Barth and Co. GmbH (Barth), Thede & Witte Holzimport GmbH & Co. KG ('Thede &Witte') Puderbach Holzhandel GmbH & Co. KG (Puderbach), MEFO Floor GmbH & Co. KG (MEFO Floor) and Floors 4Ever UAB ('Floors 4Ever') also made brief comments on grading issues.
- (240) The Commission amended the PCN structure by increasing the granularity of the top layer since the previous ranges were not homogenous. The other parameters were left unchanged as the additional suggestions to the PCN structure made by parties were found not to be necessary and only complicate the PCN. In particular, the Commission noticed that the grading of non-prime products was subjective and each company had its own way of defining different types of non-prime products.
- (241) AUMI argued that the undercutting calculation should take into account differences in the level of trade (LoT).
- (242) The Commission noticed that the Chinese exporting producers sold to importers or wholesalers. The Union industry also sold to such customer types but in addition, they also sold to further downstream customer types such as retailers, do-it-yourself ('DIY') stores, to architects and other operators in the construction and renovation sector. The Commission, therefore, performed a second undercutting calculation by reducing the Union industry prices for sales to such downstream customers. This reduction took into account that agents for sales of MWF in certain Union countries typically charge a 5% commission to cover their costs and profit margin. Therefore, in this calculation, if the Union industry sales were made to customers other than traders and wholesalers, a 5% LoT reduction was made. Using this methodology the weighted average undercutting margins ranged from 28,8% to 34,0%.
- (243) AUMI submitted that prices from a Union producer were significantly lower than those typically used by AUMI members, making impossible for them to compete. AUMI submitted that there were price differences of up to 40% between AUMI members who source from China and Union companies that do not engage in sourcing from China.
- (244) The Commission assessed the evidence submitted by AUMI which related to a price offer of a limited number of product types outside the investigation period. Such evidence was considered anecdotal and did not overturn the comprehensive calculation carried out by the Commission which covered all the sales made during the investigation period to the Union by the sampled Union producers and exporting producers. This claim was therefore rejected.

4.5. Economic situation of the Union industry

4.5.1. General remarks

- (245) 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.
- (246) As mentioned in recital (7), sampling was used for the determination of possible injury suffered by the Union industry.
- (247) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in questionnaire response of FEP. The data related to all Union producers. The Commission evaluated the microeconomic indicators on the basis of data contained in the questionnaire replies from the sampled Union producers. Both sets of data were found to be representative of the economic situation of the Union industry.
- (248) 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.
- (249) 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

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

Table 5

Production, production capacity and capacity utilisation

	2020	2021	2022	Investigation period (2023)
Production volume (square meters)	69 227 000	72 919 000	70 038 000	47 882 100
<i>Index</i>	100	105	101	69
Production capacity (square meters)	91 784 564	85 746 300	84 910 179	83 670 023
<i>Index</i>	100	93	93	91
Capacity utilisation	75%	85%	82%	57%
<i>Index</i>	100	113	109	76

Source: verified macro questionnaire

- (251) Throughout the period considered the production volume of the Union industry decreased by 31%. A detailed analysis showed that this fall in production took place mainly in 2023.
- (252) The Union production capacity was calculated on the basis of an achievable maximum production in the long-term, taking into account maintenance. During the period considered, Union production capacity decreased by 9%.

(253) During the period considered, despite a 9% reduction in production capacity, Union capacity utilisation fell by 24%.

4.5.2.2. Sales volume and market share

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

Table 6

Sales volume and market share

	2020	2021	2022	Investigation period (2023)
Sales volume on the Union market (square meters)	51 113 909	52 082 542	50 419 026	33 366 160
<i>Index</i>	100	102	99	65
Market share	73,4%	70,0%	65,5%	67,1%
<i>Index</i>	100	95	89	91

Source: verified macro questionnaire

(255) Total Union sales volume was relatively stable from 2020 to 2022. However, in 2023 Union sales fell to around 33,4 million square meters from 50,4 million square meters in 2022 which represented a fall of 35% as compared to 2020.

(256) All such sales were on the free market as there was no captive sales during the period considered. The captive data in Table 2 relates to captive use whereby no actual sale took place.

(257) In terms of market share, Union sales quantities decreased from 73,4% in 2020 to 65,5% in 2022, a decrease of 11%. However, in 2023 the market share of these sales increased to 67,1% which represented a decrease of 9% as compared to 2020.

(258) The large decrease in Union sales quantities of the Union industry over the period considered was due to the market penetration of the Chinese imports at prices which undercut the Union industry as shown in recitals (237) to (242) above. In addition, the large fall in sales in 2023 was among others due to a fall in demand in the construction industry.

(259) The development of the market share of the Union industry over the period considered was also due to these factors. The loss of market share reached 11% by 2022 but recovered slightly in the IP during the major problems in the construction sector at that time.

4.5.2.3. Growth

(260) Bearing in mind that the Union industry lost 9% of market share over the period considered, and its sales on the free market fell by 35%, it is clear that no growth took place, but rather it was a period of contraction in both absolute terms and in relation to the free market consumption.

4.5.2.4. Employment and productivity

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

Table 7

Employment and productivity

	2020	2021	2022	Investigation period (2023)
Number of employees (FTE)	12 204	12 774	13 294	10 509
<i>Index</i>	100	105	109	86
Productivity (m2/ employee)	5 672	5 708	5 269	4 556
<i>Index</i>	100	101	93	80

Source: verified macro questionnaire

(262) The Union industry employment fell by 14% over the period considered on a full time equivalent (FTE) basis.

(263) Productivity in terms of tonnes per employee fell by 20% over the period considered.

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

(264) 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.

(265) 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

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

Table 8

Sales prices in the Union

	2020	2021	2022	Investigation period (2023)
Average unit sales price on the free market (EUR/ square meter)	21,5	21,9	26,5	26,7
<i>Index</i>	100	102	123	124

	2020	2021	2022	Investigation period (2023)
Unit cost of production (EUR/ square meter)	17,8	18,1	23,2	25,2
<i>Index</i>	<i>100</i>	<i>102</i>	<i>131</i>	<i>142</i>

Source: sampled Union producers

- (267) The unit sales prices on the Union market to unrelated parties increased from 21,5 EUR/ square meter to 26,7 EUR/ square meter over the period considered, an increase of 24%. The main increase took place in 2022 when unit sales prices rose by 21%.
- (268) This apparent positive trend should be seen in the context of important increases in raw material costs. During the investigation period, these costs represented more than 50% of the full unit production cost. This unit cost of production increased by 42% over the period considered, namely at a much higher rate than the average sales prices increase in the free Union market.
- (269) The unit sales prices and unit costs both increased by 2% in 2021 as compared to 2020. However, in 2022 sales prices increased by 21% due to increases in raw material costs. Furthermore, as the increases in unit costs were much higher (29%), it was clear that prices were being suppressed. As reported in Table 4 above, Chinese import prices only increased by 20% in 2022.
- (270) In 2023, unit costs increased to 25,2 EUR/ square meter mainly due to a big fall in sales quantities resulting from a fall in demand in the construction industry as shown in Table 6. However, the Union industry was unable to adjust to the new market situation and its market prices only rose by 1%. In 2023 Chinese prices fell by 13% putting enormous price pressure on the Union industry.

4.5.3.2. Labour costs

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

Table 9

Average labour costs per employee

	2020	2021	2022	Investigation period (2023)
Average labour costs per employee on an FTE basis (EUR)	22 887	23 948	24 673	27 099
<i>Index</i>	<i>100</i>	<i>105</i>	<i>108</i>	<i>118</i>

Source: sampled Union producers

- (272) The average labour costs per employee increased by 18% over the period considered. Developments in salaries were negotiated with labour unions and other employee related costs were set by national administrations and the period considered was a time of high inflation.

4.5.3.3. Inventories

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

Table 10

Inventories

	2020	2021	2022	Investigation period (2023)
Closing stocks (square meter)	1 447 775	1 500 393	1 651 352	1 912 066
<i>Index</i>	100	104	114	132
Closing stocks as a percentage of production	9,8%	8,8%	9,8%	16,1%
<i>Index</i>	100	90	100	165

Source: sampled Union producers

(274) The closing stocks of the sampled Union producers increased by 32% over the period considered. These stocks increased as a percentage of production by 65% over the period considered. Stocks are very important in the Union MWF industry as sales are usually made from stock and production to order is more of an exception to this practice. Stocks are therefore usually quite high as demonstrated by the percentages of production shown in Table 10. The increases in stock both in absolute terms and as a percentage of production resulted from a large fall in sales in 2023 as the Union industry tried to adjust its production levels in an efficient manner.

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

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

Table 11

Profitability, cash flow, investments and return on investments

	2020	2021	2022	Investigation period (2023)
Profitability of sales in the Union to unrelated customers (% of sales turnover)	7,2%	7,9%	5,0%	– 3,9%
<i>Index</i>	100	110	71	- 54
Cash flow (EUR)	26 039 959	29 131 378	24 085 723	- 1 822 011
<i>Index</i>	100	112	92	- 7
Investments (EUR)	5 266 156	13 256 301	7 849 042	12 046 395
<i>Index</i>	100	252	149	229

	2020	2021	2022	Investigation period (2023)
Return on investments	27,4%	38,1%	30,7%	– 7,2%
Index	100	139	112	- 26

Source: sampled Union producers

- (276) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. The profitability of the sampled producers was above 7% in 2020 and 2021 but fell to 5,0% in 2022. This was due to price pressure of the increasing quantity of Chinese imports as explained at recital (269) above. In the investigation period, profitability decreased again, this time more significantly, it went below the break-even point to – 3,9%. In the investigation period the Union industry continued to suffer price pressure from Chinese imports but also suffered from the fact that difficulties within the construction sector meant that demand for MWF decreased by 35% as shown in Table 3.
- (277) The development of profitability, when seen together with the sales prices and production costs in Table 8 and the price development of the Chinese imports, showed evidence of significant price suppression. The Union industry was unable to raise its prices to sufficiently reflect cost increases in order to sell at reasonably profitable prices. This meant that the profitability of the Union industry fell below the break even point in the investigation period.
- (278) The net cash flow reflects the ability of the Union producers to self-finance their activities. The trend in net cash flow developed in a similar manner to the return on turnover, first falling in 2022 and then becoming negative in the investigation period.
- (279) The return on investments is the profit as a percentage of the net book value of investments. The trend in return on investments also developed in a similar manner to the return on turnover, first falling in 2022 but suffering a major fall in the investigation period as decreased from 30,7% in 2022 to – 7,2% in the investigation period.
- (280) The sampled Union producers continued to invest during the period considered as demonstrated by the investment figures above. Investments were between EUR 5 and 13 million per year and were mainly made in order to make efficiency gains and maintain existing facilities. The Union industry companies explained that such investments were the minimum needed to maintain efficiency. They represented less than 4% of turnover in each of the four years of the period considered. The Union industry explained that investments were restricted by a decreasing ability to raise capital. As mentioned at recital (338) one of the Union industry companies provided evidence to show that a EUR 10-15 million investment had been cancelled due to the poor situation on the market in 2022 and 2023. The reduction in the level of the return on investments jeopardises the future ability of the Union industry to raise capital and thus its survival in the medium and long term.

4.5.4. Conclusion on injury

- (281) The deterioration in the economic situation of the Union industry took place in a market with increasing demand up to 2022. However, in 2023 consumption declined by 35%. The Union industry market share declined by 9% over the period considered, from 73,4% in 2020 to 67,1% in the investigation period.
- (282) The development of captive use showed a modest decrease in the period considered of 2%. The investigation showed that the captive use is not directly affected by the dumped imports. This means that captive use was not a key factor in the injury analysis.
- (283) The development in sales prices showed an apparently positive trend during the period considered. The investigation, however, showed that the positive development of sales prices was related to the development in raw material prices, which significantly increased in that period.

- (284) Most indicators showed a decisively negative trend such as profitability, return on investment and cash flow which all went from positive figures in 2020 and 2021, reduced in 2022 and became negative in 2023. Closing stocks of finished goods increased which also had a negative impact on cash flow. These trends resulted from developments in the trends of sales prices and costs of production. Such factors, when examined together with the development of Chinese import prices in increasing quantities is a clear demonstration of price suppression. In 2022, the dumped imports increased in quantity and prices did not increase in line with raw material costs. In 2023, import prices fell and the Union industry was unable to set prices to a level that would allow it to cover its costs and, whereas in 2020 and 2021, it was able to make reasonable profits, in 2022 such profits fell below the target profit margin (7,3%) and in 2023 profitability became significantly negative.
- (285) During the period considered the Union industry carried out investments to maintain efficiency. However, after 2021 there was evidence of a reducing ability to raise capital.
- (286) Although, the injury in this investigation consisted mainly of price and performance indicators such as profitability and ability to raise capital, the Union industry also suffered a decline in the volume indicators. Production, capacity, capacity utilisation, sales volume and market share on the Union market all declined over the period considered. Furthermore, declines were also seen in employment and productivity, which were related to the lower levels of production and sales volume. The Chinese imports gained market share from 2020 to 2022 but lost some of its gains in the investigation period. However, in 2023 prices of the Chinese imports fell significantly and had a strong impact on the Union industry's financial indicators with profitability, return on investment and cash flow all becoming negative.
- (287) 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

- (288) 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: the fall in consumption, imports from third countries, imports to the Union of companies related to the Union industry, the export performance of the Union industry and increases in costs including investments and captive use.

5.1. Effects of the dumped imports

- (289) As shown in Table 3, the volume of dumped imports from China increased from around 11,7 million square meters in 2020 to around 19,6 million square meters in 2022, an increase of 67%. In the investigation period, import quantities fell to 11,2 million square meters. In terms of market share, the dumped imports from China increased from 16,8% in 2020 to 25,4% in 2022, an increase of 51%. In the investigation period the market share decreased to 22,5%. Over the whole period considered Chinese imports increased in market share by 34%.
- (290) These observations coincided with a 35% decrease in the Union industry sales on the free market and a fall of market share from 73,4% to 67,1%, a fall of 9%.
- (291) As explained in recital (269) to (270), imports from China caused price suppression to the Union industry in 2022 and the investigation period. Such price suppression meant that, when the unit costs of the Union producers rose by 29% in 2022 (largely due to increases in raw material costs), Union producers were unable to adjust their sales prices in a way that would allow them to maintain their profitability levels. This situation worsened in the investigation period when costs rose further. In fact, in the investigation period the prices of the Chinese imports fell by 13%. As a result of this price suppression, the Union industry made losses of 3,9% in the investigation period.

- (292) The penetration of Chinese imports over the period considered was possible because the product under investigation is usually sold from stock and price plays a major role in the decision making of customers. The coincidence in time between the deterioration in the economic situation of the Union industry and the significant presence of dumped imports from China, undercutting the Union industry's prices, and suppressing Union market price levels, confirms a causal link between the two.
- (293) AUMI and CNFPIA claimed that if there was material injury, this was not caused by Chinese imports as the alleged material injury occurred when Chinese imports were at its lowest level.
- (294) The Commission noted that this claim ignored two important factors relating to the injury suffered by the Union industry. Firstly, the injury suffered began in 2022 when profits fell from 7,9% to 5,0%, a fall of 36%. In addition, Table 11 shows that cash flow fell by 17% in 2022 and return on investment by 14%. This deterioration was caused by the Union industry's inability to increase its sales prices in line with its cost increases due to the price pressure which began in that year. The injury suffered by the Union industry in 2022 was not related to consumption which increased by 4% in that year.
- (295) Secondly, as described in the section 'Conclusion on injury', the injury in this case related mainly to price suppression and its impact on the performance indicators of the Union industry. Therefore, it is not correct to claim that injury could not exist because import quantities fell in the investigation period. It was mainly the low prices of such imports, in combination with their quantities, which remained significant throughout the period considered, that caused material injury to the Union industry. This is evident from the analysis of costs and prices throughout the period considered. Indeed, while import prices from China were consistently lower than those of the Union industry, they remained above the latter's costs in 2020 and 2021. However, in 2022, Chinese prices aligned with the Union industry's costs and significantly went below them in 2023, causing material injury. This claim was therefore rejected.
- (296) Based on the above, the Commission concluded that the dumped imports from China caused material injury to the Union industry.

5.2. Effects of other factors

5.2.1. Imports from third countries

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

Table 12

Imports from third countries

Country		2020	2021	2022	Investigation period (2023)
Ukraine	Quantity (square meters)	3 912 033	4 268 444	3 815 351	2 790 352
	Index	100	109	98	71
	Average price (EUR/ square meter)	15,0	17,5	21,0	21,1
	Index	100	117	140	141
	Market share	5,6%	5,7%	5,0%	5,6%
	Index	100	102	88	100

Country		2020	2021	2022	Investigation period (2023)
Other third countries	Quantity (square meters)	2 861 132	3 346 186	3 208 960	2 378 011
	<i>Index</i>	100	117	112	83
	Average price (EUR/ square meter)	23,8	24,0	29,4	25,9
	<i>Index</i>	100	101	124	109
	Market share	4,1%	4,5%	4,2%	4,8%
	<i>Index</i>	100	109	101	116
Total of all third countries except the country concerned	Quantity (square meters)	6 773 165	7 614 631	7 024 311	5 168 363
	<i>Index</i>	100	112	104	76
	Average price (EUR/ square meter)	6,9	7,0	6,6	7,4
	<i>Index</i>	100	101	96	107
	Market share	9,7%	10,2%	9,1%	10,4%
	<i>Index</i>	100	105	94	107

Source: Eurostat – adjusted for surface density

- (298) Imports from Ukraine were the largest of third country imports. Imports from Ukraine were mainly made by the Barlinek Group which represented between 70 -90% of imports from Ukraine in the period considered.
- (299) Import quantities from Ukraine were relatively stable over the period 2020 to 2022 and fell by 29% in the investigation period. The market share of these imports was stable over the period considered. In fact, their market share was at the same level in the investigation period as in 2020 (5,6%).
- (300) Average import prices from Ukraine increased by 41% over the period considered. The import prices were mainly transfer prices of the Barlinek Group and consisted of basic types of MWF to complement the Group production in the Union. The transfer prices did not include certain Group costs which would be added before resale in the Union. Therefore, it was clear that the prices of the Ukrainian imports were not injurious to the Union industry.
- (301) Import quantities from other third countries decreased by 17% over the period considered. Throughout the period these imports remained below 5% of market share.
- (302) The prices of imports from other third countries were at levels consistently higher than those of China.
- (303) Therefore, the Commission concluded that the imports from third countries did not cause material injury to the Union industry or attenuate the causal link with respect to the imports from Indonesia.

5.2.2. *Export performance of the Union industry*

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

Table 13

Export performance of the sampled Union producers

	2020	2021	2022	Investigation period (2023)
Export volume (m2)	3 998 853	4 804 276	4 130 540	3 053 095
<i>Index</i>	100	120	103	76
Average price (EUR/m2)	20,1	21,0	26,3	27,8
<i>Index</i>	100	105	131	138

Source: sampled Union producers

- (305) The export volume of the Union industry decreased by 24% over the period considered. The sales prices of these exports increased by 38% over the same period.
- (306) Bearing in mind that export volumes represented only around 25% of Union sales volumes and that the trend of sales volumes and prices were similar to those observed for Union industry sales on the Union free market, it is evident that the export performance of the Union industry is not a key element in the overall assessment of the economic situation of the Union industry.
- (307) Therefore, the Commission concluded that the export performance of the Union industry did not cause material injury to the Union industry or was able to attenuate the causal link with respect to Chinese imports.

5.2.3. *Developments in consumption*

- (308) Developments in consumption were raised as a causation factor by AUMI, CNFPIA, Barth, Puderback, MEFO Floor and Thede &Witte in their various submissions.
- (309) As shown in Table 2 consumption increased from 2020 to 2022 by 11% but decreased by 35% in the investigation period. This large fall was caused by developments in the construction industry. The Union industry responded by reducing production and sales quantities in the investigation period in order to adjust to the reduced size of the market.
- (310) The fall in consumption also led to increases in unit costs in the investigation period as fixed costs were spread over reduced quantities of production. It was therefore clear that the Union industry was significantly affected by the fall in consumption in the investigation period.
- (311) However, in 2022 consumption increased by 4% but the Union industry began to suffer injury and, in particular, experienced a fall in profitability of 36% from 7,9% in 2021 to 5,0%. Such a negative trend clearly did not result from developments in consumption.
- (312) In addition, as Union industry costs increased by 8% in the investigation period, the Union industry was unable to raise prices commensurately. This resulted in a fall of profitability to below break-even levels (– 3,9%). As explained in recitals (269) to (270) this development was caused by the price pressure exerted by the Chinese exporting producers.

- (313) Consequently, it is clear that the injury suffered by the Union industry started in 2022, caused by Chinese price pressure, and continued and worsened in the investigation period, because of the fall in consumption and further price reductions of the Chinese imports. Whilst the decrease in consumption affected the volume of sales and the profitability of the Union industry the latter could have hold on to its market share and increase its prices to neutralise the impact of the increased costs, had it not been for the suppressive effect the price of dumped Chinese imports. In other words, whilst the decrease of consumption had an impact on the economic situation of the Union industry, that impact was not neutralised and therefore materialised because of the suppressive effect of the Chinese prices. In any event in Commission's assessment that impact does not attenuate the causal link between Chinese prices and the material injury suffered by the Union industry.

5.2.4. *Increases in costs*

- (314) Increases in raw material and other costs were raised as a causation factor by AUMI and CNFPIA in their various submissions. The other cost increases mentioned were energy costs, inflation, environment and regulatory costs and costs related to investments. However, the Commission will deal with increased costs in general for which the unit cost data has already been shown in Table 8. This is because the other costs mentioned did not form a large proportion of Union industry costs and any increases in such costs would therefore have a negligible impact on the situation of the Union industry.
- (315) The unit cost of production of the Union industry increased by 42% over the investigation period, however, the Union industry began to suffer injury in 2022 when costs rose by 29%. This was mainly due to increases in raw material costs which represented more than 50% of the full unit production costs.
- (316) Increases in costs need to be passed on to customers at some stage in order for producers to remain viable. However, in 2022, unit costs increased by 29% whereas, sales prices increased by only 21%. Chinese import prices only increased by 20% in 2022.
- (317) In the investigation period the unit costs of the Union industry increased by a further 8% but sales prices increases were restricted to 1%. Chinese prices fell by 13% in the investigation period. This led to the fall in profitability, return on investment and cash flow shown in Table 11.
- (318) Consequently, it is clear that the increase in unit costs of the Union industry is only a contributory factor to the material injury suffered by the Union industry in 2022 and the investigation period. However, as explained in recital (313), the real cause of the material injury was Chinese price pressure, which did not permit the Union industry to adapt to the increased costs situation. Therefore, the impact of cost increases should not be regarded as a cause of injury, but rather as a normal business development which the industry was unable to fully react to due to Chinese price pressure.

5.2.5. *Captive use*

- (319) Captive use decreased by around 2% in absolute terms over the period considered and comprised just over 1% of total market consumption on average throughout the period considered as stated in Table 2. The Commission, therefore, considered that developments in captive use were stable in a very small sector of the total market.
- (320) The development in captive use could therefore not have caused material injury to the Union industry or to have attenuated the causal link with respect to Chinese imports.

5.2.6. *Other factors*

- (321) AUMI claimed as a causation factor the alleged 'self-inflicted injury' of the Union industry. In particular, AUMI claimed that the Union industry refused to sell to some of its coalition members and that this constituted as a bad business practice which negatively affected the financial situation of the Union industry.
- (322) The Commission noted that this claim was vague and ill-defined. Bearing in mind that this claim was totally unsubstantiated it could not be accepted as a meaningful causation factor.

- (323) AUMI further submitted that several Union producers imported Chinese MWF which may have caused injury. Furthermore, AUMI stated that many Union producers have production sites outside the Union which have competitive advantages, such as lower wages and lower energy prices, and that whose MWF products are in competition with products sold by the Union industry.
- (324) However, the investigation showed that imports of the Union industry were mainly sourced from Ukraine. Furthermore, the Commission pointed out that imports from production sites owned by the Union industry in third countries such as Ukraine have already been covered in this causation analysis in section 5.2.1. AUMI's allegations concerning imports by the Kährs Group (from China to Sweden) were unsubstantiated as the allegations did not contain details of the quantities and prices involved. Nor did this claim explain how, and to what extent, such trade caused injury to the Union industry.
- (325) Finally, AUMI claimed that low freight costs, which the complainant argued that had resulted in an increase in Chinese imports, was short lived as freight costs started to increase in September 2023.
- (326) The Commission did not consider that freight costs per se were a major cause of injury but that they are simply part of the costs to bring exports to a CIF level. Therefore, this claim was rejected.

5.3. Conclusion on causation

- (327) The investigation showed that the presence of low priced dumped imports from China had the effect of suppressing prices in the Union market in 2022 and the investigation period. This meant that the price level of the Union industry could not increase to cover the raw material price increases in these years. Consequently, the profitability of the Union industry sales fell by 36% in 2022 and became negative in the investigation period. Such profitability was below the profits that the industry should obtain under normal conditions of competition and is clearly inadequate to ensure the industry's long-term survival. Investment by the Union industry had to be made to maintain the existing facilities but the reduced ability to raise capital threatened investment levels.
- (328) Significant quantities of Chinese low-priced dumped imports were present in the Union free market. Whilst their market share fell in the investigation period, they increased when compared to 2020 or 2021. As a result, they represented around two thirds of all imports to the Union market in the investigation period. The investigation showed that this market penetration also had negative consequences on the Union industry, in particular on production and sales volumes, which respectively decreased by 31% and 35% over the period considered.
- (329) Other factors examined were imports from other sources, the export performance of the Union industry, developments in captive use, developments in consumption and increases in production costs of the Union industry.
- (330) Therefore, the Commission has distinguished and separated the effects of all known factors affecting the situation of the Union industry from the injurious effects of the dumped imports. None of the factors, collectively or separately, were found to have a bearing on the situation of the Union industry sufficient to call into question the conclusion that the Chinese imports were causing material injury.
- (331) The fall in consumption in the investigation period contributed to the injury suffered by the Union industry as did increases in unit costs in 2022 and 2023, although such issues were aggravating factors which have added to the injury suffered by the industry.
- (332) On the basis of the above, the Commission concluded that the dumped imports from the country concerned caused material injury to the Union industry. The injury consists mainly of price suppression, profitability, return on investments, cash flow, ability to raise capital and increased stocks. However, in terms of volume indicators the Union industry suffered a loss of market share, and falls in production, productivity, sales volume and employment.

6. LEVEL OF MEASURES

- (333) 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.
- (334) In the present case, the complainants claimed the existence of raw material distortions within the meaning of Article 7(2a) of the basic Regulation. At this stage of the investigation, the Commission has not taken any decision regarding the raw material distortions which will be taken at the definitive stage of the investigation.

6.1. Injury margin

- (335) 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.
- (336) In accordance with Article 7(2c) of the basic Regulation, for establishing the target profit, the Commission took into account the following factors: the level of profitability before the increase of imports from the country concerned, the level of profitability needed to cover full costs and investments, research and development (R&D) and innovation, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6%.
- (337) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition. This basic profit was established based on the profitability of the Union industry in 2020 as shown at Table 11 i.e. a year before the industry was subject to injurious dumping. Such profit margin was established at 7,15%.
- (338) The Union Industry provided evidence that its level of investments, research and development (R&D) and innovation during the period considered would have been higher under normal conditions of competition. The Commission verified this information and identified one sampled producer which planned to invest in its MWF plant, but these investments were cancelled due to the poor economic conditions prevailing in the investigation period. Therefore, the claims of the Union industry were found to be warranted. To reflect this in the target profit, the Commission calculated the difference between investments, R&D and innovation ('IRI') expenses under normal conditions of competition as provided by the Union industry and verified by the Commission with actual IRI expenses over the period considered. The annualised value of the investments forgone expressed as a percentage of the turnover of the sampled Union industry was 0,19%.
- (339) This percentage of 0,19% was added to the basic profit of 7,15% mentioned in the recital (337), leading to a target profit of 7,3%.
- (340) On this basis, the Commission calculated a non-injurious price for the like product of the Union industry by applying the above-mentioned target profit margin to the cost of production of the sampled Union producers during the investigation period.
- (341) 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 country concerned, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.
- (342) The injury elimination level for 'other cooperating companies' and for 'all other imports originating in China' is defined in the same manner as the dumping margin for these companies and imports (see recitals (213) and (214)).

Country	Company	Dumping margin (%)	Injury margin (%)
China	Forest Group	55,5	45,9
	Fusong Group	60,4	42,3
	Jinfa Group	42,7	49,2

Country	Company	Dumping margin (%)	Injury margin (%)
	Other cooperating companies	50,7	46,7
	All other imports originating in China	60,4	49,2

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

- (343) As explained in the Notice of Initiation, the complainant provided the Commission sufficient evidence that there are raw material distortions in the country concerned regarding the product under investigation. Therefore, in accordance with Article 7(2a) of the basic Regulation, this investigation examined the alleged distortions to assess whether, if relevant, a duty lower than the margin of dumping would be sufficient to remove injury.
- (344) The Commission will continue to investigate the alleged distortions to conduct the assessment on the appropriate level of measures in accordance with Article 7(2a) of the basic Regulation at the definitive stage of the investigation. Therefore, the Commission concluded to determine the amount of provisional duties in accordance with Article 7(2) of the basic Regulation.
- (345) Following the above assessment the Commission concluded that it is appropriate to determine the amount of provisional duties in accordance with Article 7(2) of the basic Regulation.

6.3. Conclusion on the level of the measures

- (346) 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
China	Forest Group	45,9 %
	Fusong Group	42,3 %
	Jinfa Group	42,7 %
	Other cooperating companies	46,7 %
	All other imports originating in China	49,2 %

7. UNION INTEREST

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

7.1. Interest of the Union industry

- (348) There are around 200 companies producing MWF in the Union employing between 10 500 to 13 300 staff in the period considered. The producers are widely spread throughout the Union. The sampled Union industry representing over 25% of total production, co-operated with the investigation.

- (349) The analysis in sections 4 and 5 of this Regulation confirmed that the Union industry suffered material injury and that dumped imports of the product concerned from Chinese exporting producers were a major cause of that injury. The injury suffered leaves the Union industry in a vulnerable situation. Its profitability had fallen from over 7% in 2020 and 2021 to – 3,9% in 2023. This was caused by price pressure imposed by the Chinese producers in the context of rising costs and a falling demand.
- (350) Given the finding of material injury to the Union industry, imposing measures would allow the Union industry to increase its sales prices and improve its profitability towards sustainable levels, increase investment, and thus maintain a competitive position in their core market. The Union industry would also be able to regain lost market share by increasing production and sales quantities on the Union market.
- (351) The absence of measures is likely to have further significant negative effects on the Union industry in terms of lower sales and production volumes, further price suppression leading to further financial deterioration of its economic situation in terms of profitability and investment jeopardizing its future and employment.
- (352) Barth notified the Commission that it has a Union producer of MWF within the Group in Sweden which manufactures products in the 'upper price segment'. Without providing any details to support its claim, Barth stated that this company competed successfully on the Union market. However, this company was included in the macro indicators used to establish injury in this investigation but did not take part in the sampling process which led to the calculation of the micro indicators. Whilst the opinion of the Barth is duly noted, it does not override the general findings of injury, causation and Union interest for the Union industry in general.
- (353) The imposition of measures on Chinese MWF is therefore clearly in the interest of the Union industry.

7.2. Interest of unrelated importers and traders

- (354) The Commission sent questionnaires to 36 importers and traders at the beginning of the investigation. This list included the large importers which also act as wholesalers on the Union market.
- (355) Only one importer cooperated with the investigation by completing a questionnaire response. This reply represented less than 6% of Chinese imports in the investigation period.
- (356) In addition, a group of 12 importers and traders (AUMI) submitted comments opposing the imposition of measures. Of these 12 companies, only Lamett Europe N.V. (Lamett) submitted a questionnaire response. AUMI did not indicate their percentage of Union imports in the investigation period. Finally, in November 2024 a further five importers, including some of the largest importing companies, registered as interested parties and made submissions opposing the imposition of measures.
- (357) AUMI, Barth, Floors 4Ever, Puderbach, MEFO Floor and Thede &Witte submitted that the measures would increase import costs of MWF and therefore would harm importers.
- (358) The Commission did not have information to precisely establish the impact that the imposition of measures would have on the activities of the unrelated importers/traders. Based on the sole co-operating importer, the imposition of measures would have a certain impact on the importing sector as MWF was an important product for Lamett (but was less than 50% of its turnover). As other importers did not cooperate in the investigation, the Commission was not able to ascertain whether this situation was typical for the importing sector in general. Furthermore, the websites of the large importers suggest that they sell many other products than just MWF. In addition, Barth claimed that imports of MWF from China represented 50% of their business.
- (359) Therefore, it could be expected that the imposition of measures on imports from China would have some impact on the importing sector as imports from China would be expected to fall once measures were imposed. However, to some extent importers would be able to source from third countries or the Union industry and, at probably lower quantities, from China.
- (360) Barth and Floors 4Ever claimed that the imposition of anti-dumping measures on MWF may also result in increased imports of other flooring products such as vinyl.

- (361) However, it was not clear how, and to what extent, this would affect importers as they already imported such products.
- (362) In respect of prices of MWF, it is expected some importers would be able to pass on price increases (resulting from measures) to their customers, although such trade may generate lower profits. Information on the profitability of the importing sector was limited to the sole co-operating importer. However, bearing in mind the generally low import prices from China, as demonstrated by the large undercutting margins calculated at section 4.4.2, it was clear that the average importers' profitability rate was positive, and much higher than those of the Union industry.
- (363) Barth, Floors 4Ever and Thede &Witte claimed that the importers were supplying the Union market with MWF which the Union industry did not have the capacity to supply themselves.
- (364) However, it was not expected that imports from China would cease completely, but rather the price of such imports would increase as a result of the measures imposed by this investigation. Furthermore, bearing in mind the figures presented at Table 3 and the many other sources of supply shown in Table 12, this comment was rejected.
- (365) Therefore, based on the data available, the Commission concluded that the impact of measures would not be disproportionate for importers/traders.

7.3. Interest of users, retailers etc

- (366) The user industry of MWF consists mainly of retailers, such as DIY stores and also of architects, entrepreneurs and other operators in the construction and renovation sector. No user cooperated in the investigation.
- (367) Operators in the construction and renovation sectors would similarly not suffer from lack of supply and would be able to pass on price increases for MWF to their customers. Purchases of MWF would represent a very small part of their company turnover.
- (368) It could be expected that retailers and DIY stores would not be disproportionately affected by the measures as they would not suffer from lack of supply as many other sources of supply exist. It would also be expected that Chinese imports would not cease on the imposition of measures, but rather they would have to raise prices to a less injurious level.
- (369) Operators in the construction and renovation sectors would similarly not suffer from lack of supply and would be able to pass on price increases for MWF to their customers. Purchases of MWF would represent a very small part of their company turnover.

7.4. Interest of the Union timber industry

- (370) The Union timber industry supply hardwood and softwood logs, usually from National Forest companies in various Member States. The timber industry also supplies hardwood and softwood sawn timber to Union producers of MWF which are less integrated. Such timber can also be supplied to the Chinese exporting producers of MWF.
- (371) No cooperation was received from the Union timber industry.
- (372) AUMI, Barth and Thede &Witte claimed that since Chinese producers import significant amounts of timber from the Union, the measures will also harm the Union timber industry.
- (373) However, it can be expected that any fall in production of MWF in China, resulting from the measures imposed by this investigation, would be replaced by production in the Union or in third countries. Therefore, there is no evidence that the timber industry would be disproportionately affected by the measures. In fact, to the contrary, the measures are likely to support the Union MWF industry and therefore support the timber industry too.

7.5. Interest of Union consumers

- (374) Barth, Floors 4Ever, Puderbach, MEFO Floor and Thede &Witte submitted that the measures would have an adverse impact on consumers as the duties would lead to higher prices for this sector.
- (375) This claim was not substantiated as it was not explained if the duties at import level would be passed down in full to consumers. In addition, MWF is not a regular purchase for consumers and in fact MWF would not feature as an important element of most consumers budgets.
- (376) Therefore, based on the data available, the Commission concluded that the impact of measures would not be disproportionate for consumers.

7.6. Conclusion on Union interest

- (377) 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 MWF originating in the country concerned at this stage of the investigation.

8. PROVISIONAL ANTI-DUMPING MEASURES

- (378) 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.
- (379) Provisional anti-dumping measures should be imposed on imports of MWF 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 recital (215) above. The amount of the duties was set at the level of the lower of the dumping and the injury margins.
- (380) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Country	Company	Provisional anti-dumping duty
The People's Republic of China	Forest Group	45,9 %
	Fusong Group	42,3 %
	Jinfa Group	42,7 %
	Other cooperating companies	46,7 %
	All other imports originating in China	49,2 %

- (381) 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 China. They should not be subject to any of the individual anti-dumping duty rates.

- (382) 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 China'.
- (383) 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.
- (384) 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. SPECIAL MONITORING

- (385) The product concerned currently falls under the TARIC code 4418 75 00. The Commission has evidence on the file that, when exported, the product concerned is sometimes declared wrongly under the Chinese customs code 4412 52 00. This code refers to blockboards, laminboards and battenboards with at least one outer ply of non-coniferous wood other than tropical wood. Moreover, the Commission established that even though the product concerned was produced in China, when exported to destinations other than the Union, it was occasionally labelled as originating from another third country. Consequently, to minimise the risk of circumvention, the Commission considered appropriate to monitor imports from China of products declared under CN code 4412 52 00 and the imports of the product concerned originating or consigned from other third countries.

10. REGISTRATION

- (386) 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.
- (387) In view of the findings at provisional stage, the registration of imports should be discontinued.
- (388) No decision on a possible retroactive application of anti-dumping measures has been taken at this stage of the proceeding.

11. INFORMATION AT PROVISIONAL STAGE

- (389) 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.

- (390) The Fusong group provided comments on the formula used for the calculation of the benchmarks for veneers. In view of these comments, the Commission revised its dumping calculations, in particular for the Fusong group and for the Forest group. The Fusong group provided comments also on methodological aspects of the dumping calculations. These comments will be addressed, where appropriate, in the definitive stage of the investigation. .

12. FINAL PROVISION[S]

- (391) 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.
- (392) 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 assembled flooring panels, multilayer, of wood, currently falling under CN code 4418 75 00 and originating in 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
China	<i>Forest Group</i> — Jilin Newco Wood Industries Co., Ltd. — Jilin Forest Industry New Jinqiao Songlin Flooring Co., Ltd.	45,9%	89IL
China	<i>Fusong Group</i> — Dalian Qianqiu Wooden Product Co., Ltd. — Fusong Diwang Wooden Product Co., Ltd. — Fusong Jinlong Wooden Group Co., Ltd. — Fusong Jinqiu Wooden Product Co., Ltd. — Fusong Qianqiu Wooden Product Co., Ltd.	42,3%	89IM
China	<i>Jinfu Group</i> — Hunchun Xingjia Wooden Flooring Inc — Changchun Delin Wooden Floors Inc.	42,7%	89IN
China	Other cooperating companies listed in Annex I	46,7%	
China	All other imports originating in China	49,2%	8999

3. The application of the individual duty rates specified for the companies mentioned in paragraph 2 shall be conditional upon presentation to the Member States' customs authorities of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: '*I, the undersigned, certify that the (volume 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 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. The following products shall be excluded from the product described in paragraph 1:

— Panels of bamboo or with at least the top layer (wear layer) of bamboo, and panels for mosaic floors.

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

Article 2

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

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

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

Article 3

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Commission Implementing Regulation (EU) 2024/2733 of 24 October 2024.

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

Article 4

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

Article 1 shall apply for a period of six months.

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

Done at Brussels, 15 January 2025

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

People's Republic of China cooperating exporting producers not sampled

Country	Name	TARIC additional code
China	Anhui Jinxiang Wood Technology Co., Ltd.	89IO
	Anhui Sunhouse Floor Technology Co., Ltd.	89IP
	Anhui Zhichang Bamboo and Wood Products Co., Ltd.	89IQ
	ARTIST INTELLIGENT HOUSEHOLD CO.,LTD.	89IR
	BENXI FLOORING FACTORY (GENERAL PARTNERSHIP)	89IS
	CENTENNIAL MENDI (JINHU) HOME FURNISHING TECHNOLOGY CO., LTD	89IT
	DALIAN AMUER WOOD CO., LTD.	89IU
	Dalian Deerfu Wooden Product Co., Ltd.	89IV
	DALIAN DUNCHENG WOOD INDUSTRY CO., LTD.	89IW
	DALIAN HANCHUAN WOOD PRODUCTS CO., LTD.	89IX
	DALIAN HANDIAN WOOD INDUSTRY CO., LTD.	89IY
	DALIAN HUIYUE WOOD CO., LTD.	89IZ
	DALIAN JAENMAKEN WOOD INDUSTRY CO., LTD.	89JA
	DALIAN JINDA WOOD PRODUCTS CO., LTD.	89JB
	DALIAN KEMIAN WOOD INDUSTRY CO., LTD.	89JC
	DALIAN MUSEN WOOD CO., LTD.	89JD
	Dalian New Sanlin Flooring Co., Ltd.	89JE
	DALIAN OUXIANG WOOD CO., LTD.	89JF
	Dalian Penghong Floor Products Co., Ltd.	89JG
	DALIAN RUIJIAN WOOD INDUSTRY CO., LTD.	89JH
	DALIAN SHENGCHUANG WOOD INDUSTRY CO., LTD.	89JI
	DALIAN SHENGYU SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.	89JJ
	Dalian Shumaike Floor Manufacturing Co., Ltd.	89JK
	Dalian Universal Wood Products Co.,Ltd.	89JL
	DALIAN XINJIAZHOU WOOD PRODUCTS CO., LTD.	89JM
	DALIAN YOU MING WOOD BUSINESS CO., LTD.	89JN
	Muling Kemian Wood Industry CO., LTD	89JO
	DeHua TB New Decoration Material Co, Ltd.	89JP
	Deqing Shengfei Wood Co., Ltd.	89JQ
	Dunhua Shengda Wood Industry Co., Ltd.	89JR
	FUSHUN FUSEN JINFENG WOODEN PRODUCTS CO.,LTD.	89JS

Country	Name	TARIC additional code
	Fushun Handu Import & Export Co., Ltd.	89JT
	Fusong County Huayi Wooden Co., Ltd.	89JU
	Fusong Huasong Wooden Co., Ltd.	89JV
	HaiLin LinJing Wooden Products Co., Ltd.	89JX
	HUNCHUN FOREST WOLF WOODEN INDUSTRY CO., LTD	89JY
	HUZHOU AMIRA WOOD CO., LTD.	89JZ
	Huzhou Teya Floor Co., Ltd.	89KA
	Jesonwood Forest Products (ZJ) Co., Ltd.	89KB
	Jiangsu Mingle Flooring Co., Ltd.	89KC
	Jiangsu ShengYu Flooring Co., Ltd.	89KD
	Jiangsu Wanli Wooden Co., Ltd.	89KE
	JIANGSU ZHUOYI HOME FURNISHING TECHNOLOGY CO., LTD.	89KF
	Jiashan On-Line Lumber Co., Ltd.	89KG
	JILIN CITY XIN JINGKAI WOOD CO., LTD.	89KH
	Jilin Jiahe Wood Industry Co.,Ltd	89KI
	JILIN XINYUAN WOODEN INDUSTRY CO., LTD	89KJ
	KINGMAN WOOD INDUSTRY CO.,LTD	89KK
	Muling City Yihe Wood Co., Ltd	89KL
	NEW GARDEN SMART HOME TECHNOLOGY CO., LTD	89KM
	Ning'an City Shengchang Wood Industry Co.,Ltd	89KN
	SHANDONG LONGTENG WOOD CO., LTD	89KO
	Shaoxing Haohua Timber Industry Co., Ltd	89KP
	Sino-Maple (Jiangsu) Co., Ltd	89KQ
	SUIFENHE JINLIN WOOD INDUSTRY CO.,LTD.	89KR
	SUZHOU DONGDA WOOD CO.,LTD	89KS
	Suzhou Duolun Wood Industry Co.,Ltd.	89KT
	TONGXIANG SHENGGONG TIMBER INDUSTRY CO., LTD..	89KU
	Xuzhou Changlin Floors Co., Ltd	89KV
	Yekalon Mills	89KW
	Zhejiang Changfang Wooden Co.,Ltd.	89KX
	Zhejiang Guolian Floor Co., Ltd.	89KY
	Zhejiang Lingge Wood Co., Ltd.	89KZ
	Zhejiang Longsen Lumbering Co., Ltd.	89LA