Annex E.2.1: Methodology for calculating normal value

1. Introduction

1. *This Appendix contains details on the methodology for calculating normal value for the Application on Robot Mowers ("**Robot Mowers**") originating in the People's Republic of China ("**PRC**").*

2. *The normal value of Chinese Robot Mowers should be constructed using costs and prices from a third country based on Regulation 14(1)(b) of the Dumping & Subsidisation Regulations (**"D&S Regulation"**). That is because Section 15 of the PRC's accession protocol ("**Accession Protocol**")[1] to the World Trade Organization ("**WTO**") contains specific provisions on the determination of the normal value (Section 2).[2]*

3. *Should the TRA consider that Regulation 14(1)(b) does not apply to the PRC, then the normal value of Chinese Robot Mowers should be constructed using undistorted costs and profits because costs and prices in the PRC are distorted by a particular market situation ("**PMS**") (Section 3).[3]*

4. *If the TRA considers that Regulation 14(1)(b) does not apply to the PRC (*quod non*), then, at the very least, the TRA should find that distorted, artificially low costs and prices that reflect non-commercial factors create a market-wide PMS in the PRC (Section 3). The distortions created by the PMS lead to the necessary choice of a representative country (Section 3.2).*

5. *On that basis, sales of Robot Mowers in the PRC do not permit a proper comparison with Robot Mowers sold for export to the UK market.[4] The TRA should thus construct the normal value of Robot Mowers and, in doing so, the TRA should make adjustments for all distorted costs and profits.[5]*

2. Regulation 14(1)(b) applies to the PRC

6. *The TRA should construct the normal value of Chinese Robot Mowers using costs and profits in a third country,[6] because Regulation 14(1)(b) of the D&S Regulations applies to the PRC.*

7. *Regulation 14(1)(b) provides that it applies in respect of imports from exporting countries that are members of the WTO where the terms of that*

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1 *World Trade Organization, Accession of the People's Republic of China, Decision of 10 November 2001, WT/L/432.*
2 *See Regulations 8(1)(c) and 14(3)(a) of the D&S Regulations.*
3 *Regulations 7(2)(b), 8(1)(a), 11, 12, and 13 of the D&S Regulations.*
4 *Regulation 7(2)(b) of the D&S Regulations.*
5 *Regulations 8(1)(a), 11, 12, and 13 of the D&S Regulations.*
6 *Regulation 14(3)(a) of the D&S Regulations.*

country's WTO membership contain specific provisions concerning the determination of the normal value.

8. *Section 15 of the PRC's Accession Protocol is entitled "Price Comparability in Determining Subsidies and Dumping." Following the expiry of Section 15(a)(ii) in 2016,[7] Section 15 now reads, in relevant part:*

> *"Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 [("**Anti-Dumping Agreement**")] … shall apply in proceedings involving imports of Chinese origin into a WTO Member consistent with the following:*
>
> *(a) In determining price comparability under Article VI of the GATT 1994 and the Anti-Dumping Agreement, the importing WTO Member shall use either Chinese prices or costs for the industry under investigation or a methodology that is not based on a strict comparison with domestic prices or costs in China based on the following rules:*
>
> > *(i) If the producers under investigation can clearly show that market economy conditions prevail in the industry producing the like product with regard to the manufacture, production and sale of that product, the importing WTO Member shall use Chinese prices or costs for the industry under investigation in determining price comparability …" (emphasis added)*

9. *The phrase "either Chinese prices or costs for the industry under investigation or a methodology that is not based on a strict comparison with domestic prices or costs in China" concerns the determination of the normal value. The Accession Protocol thus contains specific provisions explicitly addressing the determination of the normal value in anti-dumping investigations in the sense of Regulation 14(1)(b).*

10. *Under Regulation 14(1)(b), this means that the TRA can construct the normal value for Chinese Robot Mowers using "the costs of production of the like goods plus a reasonable amount for administrative, selling and general costs and for profits in an appropriate third country."[8] The TRA can and should do*

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[7] *Section 15(d) of the Accession Protocol, which was triggered 15 years after China's accession to the WTO in 2016.*

[8] *Regulation 14(3)(a) of the D&S Regulations. The other methods to determine normal value under Regulation 14 are not available or appropriate in the present case: (1) there is no comparable price for Robot Mowers in China in view of the distortions established in Section 3 below; (2) normal value should not be established on the basis of the export price of like goods to appropriate third countries, as these prices are also tainted by the distortions established above; (3) normal value should not be constructed using the costs of production, ASG and profits of Chinese Robot Mower producers in view of the distortions established above; and (4) there is no indication that the price of exports of Robot Mowers from third countries to other third countries is indicative and can be used to calculate normal value. See Regulations 14(2) and 14(3) of the D&S Regulations.*

*so because the high degree of intervention by the Government of China ("**GOC**") in the entire Chinese economy means that all costs and prices in the PRC are distorted and should not be used to determine normal value.[9] Instead, costs and profits in a representative third country should be used.*

11. *Applying Regulation 14(1)(b) to imports from the PRC would align the TRA's treatment of Chinese imports with that of investigating authorities in other key jurisdictions, and thus ensure similar levels of protection for the UK industry as for EU,[10] U.S.,[11] Canadian,[12] Indian,[13] and Turkish industries.[14] This is necessary to ensure that the UK market does not become a prime target for trade-diverted dumped goods from the PRC.*

12. *Finally, applying Regulation 14(1)(b) to imports from the PRC would implement the Department of Business and Trade's "first strategic steer" of 11 December 2025 to the TRA, which implores the TRA to become "more assertive … to protect our producer base."[15]*

3. There is a PMS in the PRC that distorts costs and prices

13. *If the TRA considers that Regulation 14(1)(b) does not apply to the PRC (*quod non*), then, at the very least, the TRA should find that distorted, artificially low costs and prices that reflect non-commercial factors create a market-wide PMS in the PRC (Section 3.1). The distortions created by the PMS have a different effect on domestic and export prices (Section 3.2).*

14. *On that basis, sales of Robot Mowers in the PRC do not permit a proper comparison with Robot Mowers sold for export to the UK market.[16] The TRA should thus construct the normal value of Robot Mowers and, in doing so, the TRA should make adjustments for all distorted costs and profits.[17]*

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9 *See below, Section 3.1.1.*
10 *See European Commission, Commission Staff Working Document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations ("**China Report**"), 2024, **Annex E.2.1.1**.*
11 *See U.S. Department of Commerce, Antidumping Duty Investigation of Certain Aluminum Foil From the People's Republic of China: Affirmative Preliminary Determination of Sales at Less-Than-Fair Value and Postponement of Final Determination, 82 FR 50858, section "Determination of Non-Market Economy Status."*
12 *See Section 20(1) of the Special Import Measures Act, read together with Section 17.1(a) of the Special Import Measures Regulations.*
13 *See Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, Annexure I.*
14 *See, e.g., F. Toksoy, E. Canbolat and E. Çelebi, The International Trade Law Review: Turkey, section Market economy status, 2022, **Annex E.2.1.2**.*
15 *See Department of Business and Trade, Policy paper: Strategic steer to the Trade Remedies Authority (TRA), 11 December 2025.*
16 *Regulation 7(2)(b) of the D&S Regulations.*
17 *Regulations 8(1)(a), 11, 12, and 13 of the Regulations.*

3.1. Distortions caused by a PMS in the PRC

15. All costs and prices in the PRC, both for inputs for Robot Mowers and for Robot Mowers itself, are distorted because of a PMS in the PRC. The PMS stems from artificially low prices and prices that reflect non-commercial factors.[18]

16. After establishing that state planning of the economy creates a horizontal distortion in the economy of the PRC (Section 3.1.1), the Applicant shows the existence of specific distortions affecting the Chinese Robot Mowers sector (Section 3.1.2).

3.1.1. State planning of the economy creates a horizontal distortion in the economy of the PRC

*17. The PRC identifies itself as a socialist market economy. The socialist market economy is developed and implemented by the Chinese Communist Party ("**CCP**").*[19] *The CCP is constitutionally anchored as the sole leader of the GOC and the "highest force for political leadership."*[20]

18. The core principle of the PRC's socialist market economy is the "socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people."[21] *In practice, this means that every facet of the supply chain, from inputs to financing to the final product, is heavily influenced by the GOC with the aim of achieving certain policy objectives.*

19. To achieve these policy objectives, companies – both state- and privately-owned – are subject to policy supervision and guidance from the CCP. In other words, the socialist market economy entails that the GOC imposes a top-down interventionist industrial policy, which results in substantial state support and direction in a variety of forms. This ultimately means that Chinese producers' costs of production reflect non-commercial factors.[22] *As the TRA summarized it:*

> *"Government influence and control has led to the production of [the product under investigation] being dictated by industrial strategy, from the costs of raw material to the provision of land. Government influence through relevant laws and rules governing banks indicates*

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18 *Regulation 7(4) of the D&S Regulations.*
19 *CCP, Constitution,* ***Annex E.2.1.3****.*
20 *See, e.g., PRC, Constitution, Article 1, para. 2; Communist Party of China, Constitution,* ***Annex E.2.1.4****, which reads "The Party is the highest force for political leadership. It exercises overall leadership over all areas of endeavor in every part of the country."*
21 *PRC, Constitution,* ***Annex E.2.1.4****, Article 6.*
22 *TRA,* Optical fibre cable from China*, AD0021, Statement of essential facts, paras. 116-122.*

> *the provision of loans at preferential rates, and government influence and control in the form of price setting exists in the energy sector."*[23]

20. *The GOC's interventionist industrial policy is guided by economic plans, which are adopted and implemented by all layers of the GOC and by Chinese companies. These plans set out objectives that coincide with the political agenda of the CCP rather than prevailing economic conditions in a free market. As a result of this system of planning, resources are concentrated in sectors designated as strategic or otherwise deemed politically important by the GOC, rather than being allocated in line with market forces.*[24] *Moreover, the GOC's control prevents normal market forces from correcting unsustainable practices through interventions such as vertical policy actions, administrative monopolies, and preferential support for state-owned enterprises ("**SOEs**").*[25]

21. *The currently applicable general economic plan is the 14th Five-Year Plan for Economic and Social Development (2021-2025) ("**FYP14**"). One of the key objectives of the previous general economic plan, the 13th Five-Year Plan (2016-2020), was to promote breakthrough developments in high-end equipment and new materials industries to move forward Chinese manufacturing.*[26] *FYP14 develops the PRC's strategic intentions and specifies GOC priorities regarding development and modernization in manufacturing:*

> *"[W]ill transform and upgrade traditional industries, promote the optimization and structural adjustment of raw material industries such as petrochemicals, steel, nonferrous metals, and building materials, expand the supply of high-quality products in sectors such as light industry and textiles, speed up the transformation and upgrading of enterprises in key industries such as the chemical industry and papermaking, and improve the green manufacturing system. We will deepen the implementation of special projects to enhance the core competitiveness and technological transformation of the manufacturing industry."*[27]

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23 *TRA,* Optical fibre cable from China*, AD0021, Statement of essential facts, para. 130.*

24 *See, e.g., Commission Implementing Regulation (EU) 2022/191 of 16 February 2022 imposing a definitive anti-dumping duty on imports of certain iron or steel fasteners originating in the People's Republic of China, recitals 195-201. See also, Commission Implementing Regulation (EU) 2021/2239 of 15 December 2021 imposing a definitive anti-dumping duty on imports of certain utility scale steel wind towers originating in the People's Republic of China, recitals 67-74.*

25 *William Kovacic, Competition policy and State-Owned Enterprises in China, World Trade Review 16:4 16:4, 2017,* ***Annex E.2.1.5****, p. 705.*

26 *See GOC, 13th Five-Year Plan for Economic and Social Development of the PRC (2016-2020),* ***Annex E.2.1.6****, Chapter 22.*

27 *GOC, 14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025),* ***Annex E.2.1.7****, p. 21.*

22. *FYP14 further provides that the GOC will support Chinese producers to achieve its strategic objectives in the manufacturing industry:*

> *"[W]ill strengthen factor of production assurance and efficient services, consolidate and expand the achievements of tax reduction and fee reduction, reduce the production and operating costs of enterprises, and enhance the rootedness and competitiveness of the manufacturing industry. We will promote the increase in capacity and efficiency of industrial land and promote new models of industrial land. We will expand the scale of mid- and long-term loans and credit loans for the manufacturing industry, increase loans for technological transformation, and promote the preference of equity investment and bond financing for manufacturing. We will allow manufacturing enterprises to fully participate in marketized electric power transactions, standardize and reduce logistics charges such as for ports and shipping and road and rail transportation, and comprehensively organize and standardize fees collected from enterprises."*[28]

23. *For completeness, in the new 15th Five-Year Plan ("**FYP15**"), covering the period from 2026-2030, the CCP confirms the continuation and deepening of the state-led industrial policy framework established under FYP14, with a sustained emphasis on manufacturing, technological self-reliance, and strategic emerging industries. FYP15 is designed to maintain a strong role for coordinated GOC state intervention across sectors.*[29]

24. *In line with FYP14, FYP15 confirms the following objectives for the robotics sector, demonstrating the continued deepening investment and state-intervention in this sector:*

- *"We will accelerate the development of strategic emerging industries, including next-generation information technology, new energy, new materials, intelligent connected new-energy vehicles, robotics, biopharmaceuticals, high-end equipment, and aerospace."*
- *"We will develop efficiency-enhancing and companionship-oriented intelligent-native applications, and promote the next generation of intelligent terminals, including AI-enabled smartphones, computers, and intelligent robots. New forms of intelligent products will be explored. New consumption scenarios for intelligent services will be expanded, with AI experience centers being established, and*

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28 *GOC, FYP14, **Annex E.2.1.7**, p. 21.*

29 *GOC, 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China (2026-2030), **Annex E.2.1.8**.*

integrated interactive environments covering diverse application scenarios being created."

- *"We will give effect to the principal role of enterprises in technological innovation decision-making, R&D investment, research organization, and achievement commercialization and application, and promote deep integration of the innovation chain, industrial chain, capital chain, and talent chain."*[30]

25. *FYP14 dovetails with the Made in China 2025 industrial policy masterplan ("**Made in China**"), which the GOC State Council published in 2015. Made in China is a program of action for the first ten years of the PRC's implementation of its "manufacturing powerhouse strategy." It identified "deep promotion of structural adjustments to the manufacturing industry" and "green manufacturing" as key policy objectives:*

> *"Comprehensively promote the green transformation of traditional manufacturing industries such as iron and steel, non-ferrous metals, chemicals, building materials, light industry, and printing and dyeing … Clarify the policy direction of technical transformation of strategic major projects and high-end equipment, stabilize the scale of the central government's guidance funds for technological transformation, and establish a long-term mechanism to support the technological transformation of enterprises through discounts and other methods."*[31]

26. *The GOC also intervenes in the economy through guidelines of the CCP National Congress. The currently applicable guidelines stem from the 20th National Congress.*[32] *During the 20th Congress, Chinese President Xi stressed the need for robust support to the manufacturing industry, stronger CCP leadership in SOEs, and influence in private organisations:*

> *"We will advance new industrialization and move faster to boost China's strength in manufacturing, product quality … carry out industrial foundation reengineering projects and research projects on major technologies and equipment; support enterprises that use special and sophisticated technologies to produce novel and unique products; and move the manufacturing sector toward higher-end, smarter, and greener production … We will make sure that Party leadership in SOEs and financial firms is strengthened in the process of their improvements to corporate governance. Party building will also be stepped up in mixed-ownership and non-public enterprises."*[33]

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30 *GOC, FYP15, **Annex E.2.1.8**, p. 22, 44 and 53.*
31 *GOC, State Council, Made in China 2025, 2015, **Annex E.2.1.9**, pp. 22 and 26.*
32 *The 20th National Congress took place in October 2022 and the election of the 20th Central Committee will serve until 2027.*
33 *See CCP, 20th National Congress report, 2023, **Annex E.2.1.10**, p. 20, 21 and 49.*

27. As is clear from President Xi's statement, the CCP controls Chinese SOEs, which benefit from distortions caused by the GOC's interventionist industrial policy. As the TRA put it:

> *"[The TRA's] conclusion aligns with the findings of the USTR, EC, and OECD. The USTR has stated that the CCP increased its influence over SOEs, worked to ensure that the direction of the SOEs aligns with national strategies and facilitated the non-market driven activities that provide SOEs with advantages …"*[34]

28. This level of intervention by and control from the GOC is not limited to SOEs. Private organisations also do not operate under normal market conditions. They often have mixed ownership, and in any event, usually "have close links to the government."[35] *As the TRA found:*

> *"[T]here is evidence that government influence is present within both SOEs and private organisations … The TRA has found evidence that government influence causes the price of [the product under investigation] to reflect non-commercial factors. This is evidenced above through; article 19 of the Companies Law of the People's Republic of China, the 14th Five-Year Plan for Economic and Social Development (2021-2025), and the Made in China 2025 strategy …."*[36]

29. This all-encompassing leadership role of the CCP and control over Chinese companies the PRC's economy follows directly from applicable rules in the PRC's constitution and company law.[37] *For instance, Article 11 of the PRC's Constitution states that the CCP "guides" the development of the private sector.*[38] *Similarly, Article 33 of the CCP Constitution provides that:*

> *"Primary-level Party organisations in non-public sector entities shall implement the Party's principles and policies, guide and oversee their enterprises' observance of state laws and regulations, exercise leadership over trade unions ...."*[39]

30. In applying the above constitutional framework, Article 19 of the PRC's Corporate Law requires the establishment of a CCP cell within each company "to carry out the activities of the Party in accordance with the charter of the

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34 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 131.*

35 *European Commission, Commission Staff Working Document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations, 2017,* ***Annex E.2.1.11****, p. 14.*

36 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 201.*

37 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 188.*

38 *PRC, Constitution,* ***Annex E.2.1.4****, Article 7. See also CCP, Constitution,* ***Annex E.2.1.3****.*

39 *European Commission, Commission Staff Working Document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations, 2017,* ***Annex E.2.1.11****, p. 28.*

Communist Party of China [and] provide the necessary conditions for the activities of the party organization."[40] *In this regard, the TRA found:*

> *"[I]n 2021 over 92% of the top 500 companies in the PRC hosted government party cells, with the expectation that this number will rise to 100% given a change in governance requirements in 2018."*[41]

31. *The European Commission established the distortive impact of CCP cells in Chinese companies. As the European Commission put it, there is "growing pressure for the CCP organisations to have a final say over the business decisions within their respective companies."*[42]

32. *It follows that prices in the Chinese economy, including in the Robot Mowers sector, reflect non-commercial factors because GOC intervention distorts all key cost areas. This distorts costs and prices across the Chinese economy.*

3.1.2. Distortions specifically affecting the Chinese Robot Mower sector

a. The Chinese Robot Mower sector as a whole

33. *The GOC intervenes heavily in, and distorts, the entire chain of costs and prices in the Chinese Robot Mower sector. These distortions are exacerbated by the fact that the GOC considers the Robot Mower sector, and more generally the robotics sector, as a strategic sector, which means the sector is served by companies under GOC ownership and control operating under GOC policy supervision or guidance.*

34. *As explained,*[43] *GOC centralized planning directs resources toward sectors the GOC deems strategic or otherwise politically important, rather than allowing market forces to determine their allocation.*

35. *The Robot Mower sector is deemed strategic and, as a result, Robot Mower producers in the PRC function primarily as vehicles for implementing government policy.*

36. *Robot Mowers are linked to strategic industries at the core of GOC ambitions in robotics, automated machines, electronics parts and components, and electric, electronic, and artificial intelligence technologies. Robot Mowers are*

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40 *GOC, Company Law of the PRC,* ***Annex E.2.1.12****, Article 19.*

41 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 188.*

42 *See Commission Implementing Regulation (EU) 2021/983 of 17 June 2021 imposing a provisional anti-dumping duty on imports of aluminium converter foil originating in the People's Republic of China, recital 93. See also, Commission Implementing Regulation (EU) 2019/1198 of 12 July 2019 imposing a definitive anti-dumping duty on imports of ceramic tableware and kitchenware originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) No 2016/1036, recital 75.*

43 *See above, Section 3.1.1.*

also of strategic importance for the GOC because it underpins several high-priority industrial value chains.[44]

37. *The Chinese Robot Mower market is being served to a significant extent by companies that operate under the ownership, control or policy supervision or guidance of the GOC.*

38. *First, there is a substantial degree of GOC ownership and control in the Chinese Robot Mower industry.*

39. *In terms of ownership, as concerns Robot Mower producers, for instance, SUMEC, a Chinese exporting producer to the EU and United Kingdom (under the brand name Yard Force) is an SOE. Its majority shareholder is the China National Machinery Industry Corporation ("**Sinomach**").*[45]

40. *Other Robot Mower producers are under mixed ownership. For instance, in 2022, shares of Ningbo Daye Garden Equipment (**"Daye"**) (which uses the name Einhell) were held by investment funds and asset management companies of three large commercial banks in which the GOC owns a majority stake,*[46] *as well as a GOC-owned investment company.*[47]

41. *In terms of control other than through ownership, Chinese Robot Mower producers – like all Chinese companies – act consistently with GOC plans and policies. For instance, Daye reported FYP14 as a "policy driver" for its products.*[48] *Ecovacs noted that the "continuous encouragement and guidance of China's robotics industry policy has also promoted the rapid development of the industry," and list the FYP14 as one such policy.*[49] *Ecovacs also noted that it "actively responds to the call of the State."*[50] *SUMEC reported that it aims to "fully implement the spirit of the 20th [CCP] National Congress."*[51]

42. *Second, there is also GOC presence in companies in the Robot Mower industry, which allows the GOC to interfere with respect to prices or costs in China. The GOC presence is maintained by:*

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44 *See Section F.2 of the Application.*
45 *Sumec, 2023 Annual Report, **Annex E.2.1.13**, pp. 135-136.*
46 *See Daye, 2022 Annual Report, **Annex E.2.1.14**, p. 163. The said banks are the China Construction Bank, the Bank of Communications and the China Merchants Bank. Ecovacs, 2022 Annual Report, **Annex E.2.1.15**, p. 154. The said bank is the Bank of Communications. The said investment company is Central Huijin Asset Management Company, which is a wholly-owned subsidiary of Central Huijin Investment, a GOC-owned investment company. See Central Huijin, Company Profile, **Annex E.2.1.16**.*
48 *Daye, 2023 Annual Report, **Annex E.2.1.17**, p. 33.*
49 *Ecovacs, 2022 Annual Report, **Annex E.2.1.15**, p. 44.*
50 *Ecovacs, 2022 Annual Report, **Annex E.2.1.15**, p. 103.*
51 *Sumec, 2023 Annual Report, **Annex E.2.1.13**, p. 5.*

- *Appointing key managerial personnel in SOEs and companies in which the GOC has an ownership stake.*

  The GOC preserves its influence over SOEs by appointing and removing key management personnel through SASACs. The Chinese Law on SOE mandates the SASAC and local SASACs to effectively ensure control over the composition of SOEs' statutory bodies and appoint or remove key personnel, as well as evaluate their performance. In practice, this system leads GOC officials to be appointed as SOE managers and board members. Conversely, SOE managers go back to GOC functions.[52]

  For instance, key managerial personnel of SUMEC, an SOE, has GOC connections. Yang Yongqing, the person in charge of the company, was also the deputy manager at Jiangsu Machinery & Equipment Import & Export,[53] *a part of the SOE Sinomach, the parent company of SUMEC.*[54]

- *Making privately-owned companies appoint managerial personnel that have strong GOC connections, for instance by having worked at SOEs or industry associations controlled by the GOC.*

  For instance, the following key managerial personnel in Chinese Robot Mower producers have a GOC background:

  - *Daye: Ye Xiaobo, actual controller of Daye,*[55] *previously worked for Yuyao Municipal Finance and Taxation Bureau and the China Forestry Machinery Association – a vehicle of the GOC.*[56] *He is a member of the Yuyao Federation of Industry and Commerce, which is "under the leadership"*[57] *of the CCP.*[58] *Xu Hong, an independent director of Daye, was an assistant to the mayor of the Daguan District (Anhui Province) and is a member of the CCP.*[59]

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52 *China Report, p. 126.*
53 *Sumec, 2023 Annual Report,* ***E.2.1.13****, p. 73.*
54 *Sumec, History,* ***Annex E.2.1.18****.*
55 *Under China's Company Law, an actual (or '*de facto*') controller is an entity that although is not a shareholder, is capable of actually controlling the conduct of the company through investment relations, agreements or other arrangements. See China Report, footnote 3210, p. 647.*
56 *China National Forest Products Industry Association, China Forestry Machinery Association,* ***Annex E.2.1.19****.*
57 *Baidu, Yuyao Federation of Industry and Commerce,* ***Annex E.2.1.20****.*
58 *Daye, 2023 Annual Report,* ***Annex E.2.1.17****, pp. 93-94.*
59 *Daye, 2023 Annual Report,* ***Annex E.2.1.17****, p. 96.*

- *Ecovacs: Qian Donqi, founder and current chair of the board, was previously the manager of China Electronics Import and Export Corporation,[60] an SOE.[61] Pu'an Jun, an independent director, is a member of the CCP.[62]*
- *Globe Tech (which uses the brand name Greenworks): Gao Niaxin, member of the supervisory board, worked for the Shanxi Stamping Factory,[63] an SOE.[64]*

- *Requiring companies to set up and maintain internal CCP committees.*

  Both SOEs and privately-owned companies host internal CCP committees capable of exercising GOC control over corporate governance and business decisions, in line with the express provision in Article 19 of the Chinese Company Law. For instance, Yang Yongqing, who is in charge of SUMEC, is also the secretary of SUMEC's CCP committee.[65]

  CCP committees exist virtually in all areas of the Chinese economy. In 2016, 67.9% of privately-owned companies (including foreign-invested companies) and 91.3% of all SOEs had a CCP committee.[66] The CCP committees gain significant influence, even over privately-owned companies, as they set the economic agenda of the company, control all aspects of the implementation of the agenda, and exercise a growing pressure to have a final say over the business decisions within their respective companies.

43. *The above means that SOEs and privately-owned companies' business decisions, including those relating to costs and prices, are significantly influenced by the GOC's public policies and not subject to free market forces. This applies generally throughout the Chinese economy, across all sectors – including in the Robot Mower industry and its upstream supply industries.*

44. *Third, the GOC enacts and implements public policies or measures discriminating in favor of domestic suppliers or otherwise influencing free market forces in the Chinese Robot Mower industry.*

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60 *Ecovacs, 2022 Annual Report,* ***Annex E.2.1.15****, pp. 59 and 102.*
61 *GOC, China Electric Import & Export Open Recruitment for General Manager and Other Positions,* ***Annex E.2.1.21****.*
62 *Ecovacs, 2022 Annual Report,* ***Annex E.2.1.15****, p. 63.*
63 *Greenworks, 2022 Annual Report,* ***Annex E.2.1.22****, p. 36.*
64 *Shanxi Stamping Factory pages on Discovery by PatSnap, Cybo, and Made-in-China,* ***Annex E.2.1.23****.*
65 *Sumec, 2023 Annual Report,* ***Annex E.2.1.13****, p. 72.*
66 *China.org, Backgrounder: Five things you need to know about CPC,* ***Annex E.2.1.24****.*

45. *Fourth, in addition to the FYP14 and Made in China,[67] the Decision of the State Council on Promulgating and Implementing the Interim Provisions on Promoting Industrial Structure Adjustment ("**Decision No. 40**"),[68] read with the Catalogue of Guidance for Industrial Structure Adjustment ("**Industrial Structure Adjustment Guidance Catalogue**"),[69] set out a list of encouraged industries. Encouraged industries receive GOC support and subsidies, for instance for financing, taxation, land, importation and exportation.[70] The GOC's interventions are particularly pronounced in industries that the GOC considers to be "strategic."[71]*

46. *The Industrial Adjustment Guidance Catalogue Structure Catalogue designates the Robot Mower industry and its key upstream industries as encouraged industries:[72]*

- *Cleaning robots, agricultural robots, intelligent robots, and unmanned autonomous systems.*
- *Intelligent controllers, intelligent joints and other key components for robots, operating systems, process software and databases for robots, offline simulation software, cloud service platforms, autonomous programming for robots, and intelligent robot evaluation.*
- *Artificial intelligence chips, semiconductors and integrated circuits.*
- *Intelligent infrastructure such as network infrastructure, big data infrastructure and high-performance computing infrastructure.*
- *Sensors, including micro, nano displacement sensors, flexible tactile sensors, high-resolution visual sensors, and smart sensors with wireless communication functions.*

47. *Fifth, the GOC also adopted a specific plan for the robot industry, the FYP14 for Robotics Industry ("**Robot Plan**").[73] The Robot Plan, which implements FYP14, aims to strengthen and develop the Chinese robot industry, which includes the Robot Mower industry, and a supporting ecosystem around the industry. To that end, the Robot Plan prescribes the following objectives:[74]*

- *"Cultivate and grow high-quality enterprises. Encourage backbone enterprises to cultivate leading robotics enterprises with ecological*

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67 *See above, Section 3.1.1.*
68 *GOC, Decision of the State Council on Issuing and Implementing the Interim Regulations on Promoting Industrial Structure Adjustment, Guofa 2005 No. 40,* ***Annex E.2.1.25****.*
69 *GOC, Industrial Structure Adjustment Guidance Catalogue, 2023,* ***Annex E.2.1.26****.*
70 *Decision No. 40,* ***Annex E.2.1.25****, Article 12.*
71 *China Report, p. 32.*
72 *See GOC, Industrial Structure Adjustment Guidance Catalogue,* ***Annex E.2.1.26.***
73 *GOC, 14th Five-Year Plan for the Development of the Robot Industry,* ***Annex E.2.1.27****.*
74 *See Robot Plan,* ***Annex E.2.1.27****.*

dominance and core competitiveness through mergers and acquisitions, joint ventures and cooperation."

- *"Promote enterprises to deeply cultivate niche industries, strengthen specialisation and differentiation, and develop in machine parts and system integration and other fields, to create a number of speciality, and new 'small' [and] '[g]iant' enterprises and single champion enterprises."*
- *"Promote the strong and stable chain. Encourage backbone enterprises to aim at the weak links of key components and high-end machine products, and join hands with supporting enterprises to accelerate the research and development, engineering verification and iterative upgrading of precision gears, lubricating grease, encoders, core software, and so on."*
- *"Support the industry chain upstream, midstream and downstream collaborative innovation, large, medium and small enterprises to integrate development, and build a good industrial ecology."*
- *"Advantageous clusters with good industrial environment. Support clusters to strengthen technological innovation, focus on niche areas, provide highly specialised robotic products and … cultivate characteristic cluster brands."*
- *"Coordinate the resources and strength of industry management, science and technology, finance and financial sectors, strengthen policy synergy with user departments, and support the innovative development of the robotics industry."*
- *"Encourage localities to formulate targeted policies and measures, coordinate and solve major problems in the robotics industry."*
- *"In order to promote the implementation of the development goals of the '14th Five-Year Plan', the 'Plan' has deployed five major tasks, including improving industrial innovation capabilities, consolidating the foundation for industrial development, increasing the supply of high-end products, expanding the depth and breadth of applications, and optimizing the industrial organizational structure."*[75]

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75 *GOC, Interpretation of the 14th Five-Year Plan for the Development of the Robot Industry, 28 December 2018, p. 2,* ***Annex E.2.1.28****.*

- *"Strengthening of national major scientific and technological projects, national key R&D programmes, etc. on robotics research and development."*
- *"Development and application support. Implement tax policies such as additional deduction for R&D expenses. Promote active investment by various industrial funds and support the listing of qualified enterprises… Guid[e] financial institutions to innovate accounts receivable financing, supply chain financing and other service models."*

48. *Sixth, to further boost robot industries, such as the Robot Mower industry, the GOC promulgated the Robot+ Application Action Implementation Program ("**Robot+ Plan**").[76] In the Robot+ Plan, the GOC sets the following objectives:[77]*

    - *"By 2025, the density of robots in manufacturing will double from 2020, and the density of robots in services will double from 2020. The depth and breadth of industrial applications of service robots and special robots have been significantly enhanced, and the ability of robots to promote high quality economic and social development has been significantly strengthened."*
    - *"It will promote more than 200 typical robot application scenarios with high technology level, innovative application mode and significant application results."*
    - *"Encourage industry authorities to carry out product innovation ... in conjunction with the development planning, scientific and technological research and construction of key projects in the application industries."*

      "All relevant departments and localities will promote the application of robots as the key direction of science and technology innovation, industry planning and industrial policy, and coordinate policies, funds and resources to support and increase investment in the innovation and application of robots."

49. *In sum, as a result of the significant GOC intervention in the Robot Mower market, all prices in the Chinese Robot Mower industry as a whole are distorted.*

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76 *GOC, Robot+ Application Action Implementation Program, Unicom Equipment [2022] No. 187, 18 January 2023,* ***Annex E.2.1.29****.*

77 *See Robot+ Plan,* ***Annex E.2.1.29****.*

b. Key components and key components inputs costs

50. As a result of GOC control and intervention, costs and prices relating to both components themselves and the inputs used in components of Robot Mowers are distorted in the PRC.

51. As explained,[78] the cost of components and their inputs in the PRC is affected by cross-cutting economic planning, such as the MIC25 plan, which identifies "[h]igh-end numerically controlled machine tools and robots" and "[e]lectrical equipment" as sectors in which the GOC would intervene to "promot[e] manufacturing."[79]

*52. As it will be demonstrated below, even if the TRA does not consider sufficient the evidence adduced of state intervention in the Robot Mowers sector as a whole (*quod non*), it is difficult to see how the distortions affecting each one of Robot Mowers key components and their inputs could not reflect non-commercial factors.*

53. As a result of GOC control and intervention, both the cost of key components to produce Robot Mowers and the cost of their inputs are distorted in the PRC.

54. The Applicant addresses, in turn, distortions affecting each key component of Robot Mowers, and their inputs.

i. Electronics

55. Electronic components are one of the main components of Robot Mowers. They include semiconductors, integrated circuits, charging modules, vision modules, and software.

56. As a result of GOC control and intervention, the cost of electronic components used in the manufacturing of Robot Mowers in the PRC is distorted. The Applicant makes four points in this regard.

57. First, as explained,[80] GOC planning directs resources toward sectors the GOC deems strategic or otherwise politically important, rather than allowing market forces to determine their allocation. The electronics sector is at the core of GOC's ambitions as it is targeted in several general and electronic components-specific GOC plans, including the FYP14, the Made in China 2025, the Robot Plan.

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78 *See above, Section 3.1.1.*
79 *GOC, Made in China 2025,* ***Annex E.2.1.9****, p. 19.*
80 *See above, section 3.1.1.*

58. *These general plans are implemented through more specific plans concerning the electronic components sector and the downstream sectors in which electronic components are used, including the Robot Mowers sector. For example:*

- *Electronic Components Industry Fourteenth Five Year Plan Development ("**FYP14 Electronic Components**")*[81]
- *Action Plan for the Development of Basic Electronic Components Industry (2021-2023) ("**Electronic Components Action Plan**")*[82]
- *Implementation Plan for Industrialization of Key Technologies of Intelligent Robots ("**Intelligent Robots Plan**")*[83]
- *Guiding Opinions on Orderly Promoting the Reopening of Industrial and Communications Enterprises*[84]
- *Implementation Plan for Promoting Equipment Upgrading in the Industrial Sector*[85]

59. *The FYP14 Electronic Components provides for general planning for the electronic components sector, but also for electronic components sub-sectors, including "downstream electronic machine industry" and "automation equipment."*[86] *It sets general objectives, such as the promotion of China's upstream and downstream of the electronic components sector.*[87]

60. *Further, the Electronic Components Action Plan puts the electronic components sector in the centre of industrial innovation, and its promotion as the foundation of "supporting key industries", including high-end machinery, and intelligent devices,*[88] *such as Robot Mowers:*

- *"Electronic components are the cornerstone to support the development of information technology industry, and also the key to ensure the security and stability of the industrial supply chain."*[89]

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81 *GOC, Electronic Components Industry Fourteenth Five Year Plan Development,* ***Annex E.2.1.30****.*
82 *GOC, Action Plan for the Development of Basic Electronic Components Industry (2021-2023),* ***Annex E.2.1.31****.*
83 *GOC, Implementation Plan for Industrialization of Key Technologies of Intelligent Robots,* ***Annex E.2.1.32****.*
84 *GOC, Guiding Opinions on Orderly Promoting the Reopening of Industrial and Communications Enterprises,* ***Annex E.2.1.33****.*
85 *GOC, Implementation Plan for Promoting Equipment Upgrading in the Industrial Sector, 2024,* ***Annex E.2.1.34****.*
86 *GOC, FYP14 Electronic Components,* ***Annex E.2.1.30****, p. 7.*
87 *GOC, FYP14 Electronic Components,* ***Annex E.2.1.30****, p. 53.*
88 *GOC, Electronic Components Action Plan,* ***Annex E.2.1.31****, p. 10.*
89 *GOC, Electronic Components Action Plan,* ***Annex E.2.1.31****, p. 1.*

- *"The goal is to support key industries with key core technologies as the main direction of attack. The industry market application, the establishment of a sound industrial chain supporting system, to promote the basic electronic components industry to achieve high-quality development […]."*[90]

61. *In the same vein, the Intelligent Robots Plan provides for promotion and strengthening of the robotics industry, and mentions the development of "key industrial robot parts."*[91]

62. *In line with the above planning, SOEs and privately-owned companies in the electronic components sector are compelled to implement CPP's policies and objectives. The FYP14 of Electronic Components states clearly that:*[92]

- *"During the ''13th Five-Year Plan' period, not only is the party building work of state-owned enterprises as solid as ever, but the party building work of electronic components private enterprises, even foreign-funded enterprises, is also gradually deepening, and more and more non-publicly owned enterprises in the electronic components have set up party organizations, and the organizational strength of grass-roots party organizations is increasingly being strengthened."*
- *"Party organizations of electronic components enterprises have made great contributions in implementing the Party's policies."*

63. *Second, Chinese electronic component producers are large SOEs, which are controlled by the GOC and backed by its financial support.*[93] *As explained, the GOC controls SOEs.*[94] *SOEs dominate the Chinese electronic components sector. For instance, in the semiconductor sector, eight of the top ten companies are SOEs.*[95] *Similarly, in the printed circuit board sector, there are several dominant SOEs.*[96]

64. *Third, privately-owned Chinese electronic component producers are entrusted and directed by the CCP. This is evidenced by actions taken by privately-owned Chinese electronic component producers in accordance with GOC's planning. As explained,*[97] *privately-owned companies in China are required to, and indeed do, implement the GOC's plans and policies.*

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90 *GOC, Electronic Components Action Plan,* ***Annex E.2.1.31****, p. 3.*
91 *GOC, Intelligent Robots Plan,* ***Annex E.2.1.32****, p. 1.*
92 *GOC, FYP14 Electronic Components,* ***Annex E.2.1.30****, p. 1.*
93 *China Report, p. 601.*
94 *See above, section 3.1.1.*
95 *China Report, pp. 556-558.*
96 *XinJiaYe PCB, Development Status and Prospective Analysis of Printed Circuit Board (PCB) Industry in 2020,* ***Annex E.2.1.35****.*
97 *See above, section 3.1.1.*

65. *In this regard, it is notable that the FYP14 Electronic Components refers to the important presence of CCP building in privately-owned companies in the electronic components sector.*[98] *It states clearly that:*

> *"[N]ot only is the party building work of state-owned enterprises as solid as ever, but the party [CCP] building work of electronic components private enterprises ... is gradually deepening and more and more non-publicly owned enterprises in the electronic components have set up party organizations, and the organizational strength of grass-roots party organizations is increasingly being strengthened…"*[99]

66. *Fourth, in light of the above objectives and planning, the GOC subsidizes the electronic components sector in the PRC, and downstream sectors in which electronic components are used. These include the Robot Mowers sector. In particular, the Robot Plan states that the GOC aims to "[a]ctively promote the Advanced Manufacturing Industry Investment Fund and other government-funded industrial investment funds to increase support for the intelligent robotics industry."*[100]

67. *The Advanced Manufacturing Industry Investment Fund is a GOC-backed fund that supports key inputs for robot machinery, including semiconductors and other electronic components. According to the GOC, the Fund has already invested in industrial robotics companies.*[101] *Its second phase, announced in 2019 and amounting to RMB 50 billion, was expected to further support industrial robotics manufacturers and related upstream sectors. This shows that the GOC subsidizes through state-backed funds the electronic components and robot machinery value chains.*[102]

68. *In sum, there is compelling evidence of significant GOC direction and control in the electronic components sector in the PRC, which distorts the costs of electronics used in the production of Chinese Robot Mowers.*

ii. Plastic parts

69. *Plastic parts are one of the main components of Robot Mowers. Plastics are downstream products of the petrochemical and chemical industry, made from polymers derived from oil and gas.*

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98 *GOC, FYP14 Electronic Components,* ***Annex E.2.1.31****, p. 11.*
99 *GOC, FYP14 Electronic Components,* ***Annex E.2.1.31****, p. 11-12.*
100 *GOC, Intelligent Robots Plan,* ***Annex E.2.1.32****, p. 11.*
101 *GOC, Fund to boost industrial restructuring, China Daily, 13 November 2019,* ***Annex E.2.1.36****.*
102 *GOC, Fund to boost industrial restructuring, China Daily, 13 November 2019,* ***Annex E.2.1.36****.*

70. As a result of GOC control and intervention in the petrochemical sector, the cost of plastic parts used in the production of Robot Mowers in the PRC is distorted. The Applicant makes three points in this regard.

71. First, the petrochemicals sector is subject to significant long-standing GOC planning.

72. The FYP14 outlines GOC's ambition to "transform and upgrade," and "promote the optimization and structural adjustment" of the petrochemical industry.[103] Based on the FYP14, CCP's Guiding Opinion was:

> *"[F]ormulated … [i]n order to implement the [14th FYP], implement the 14th Five Years Plan for the Development of Raw Material Industry, and promote the high-quality development of the petrochemical and chemical industry."[125]*

73. FYP15 outlines GOC's continued commitment to support the petrochemical industry, which it identifies as a "key industry."[104]

74. More importantly, Made in China 2025 plan provides for the support and promotion of development of the entire petrochemical industry's value chain, which includes plastics:

> *"Support key industries, […] and encourage the high-end development of the value chain of industries such as steel, petrochemicals, construction machinery, light industry, and textiles."[105]*

*75. In the same line, the 14th Five Year Plan for the Development of the Raw Materials Industry ("**Raw Materials Plan**") provides expressly for the encouragement of the petrochemical and chemical sectors, in line with the 13th FYP for the Petrochemical and Chemical Industry (2016-2020), which preceded the Raw Materials Plan and provided for strict regulation of the sector, covering raw materials used to produce plastics.[106]*

*76. Further, in its Action Plan for Stabilizing Growth in the Petrochemical Industry ("**Petrochemical Industry Action Plan**"), the GOC identifies the petrochemical industry as a "pillar industry" of the national economy.[107] It links the sector to plastics used in "emerging applications:"*

> *"Focusing on emerging industries such as new energy, the low-altitude economy and humanoid robotics, actively expand the application of*

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103 *GOC, FYP14, **Annex E.2.1.7**, p. 21.*
104 *GOC, FYP15, **Annex E.2.1.7**, p. 18.*
105 *GOC, Made in China 2025, **Annex E.2.1.9,** p. 23.*
106 *GOC, The 14th Five Year Plan for the Development of the Raw Materials Industry, **Annex E.2.1.37**, p. 23.*
107 *GOC, Action Plan for Stabilizing Growth in the Petrochemical Industry (2025-2026), **Annex E.2.1.38**, p. 1.*

> *new energy battery materials, carbon fibre and its composite materials, and speciality engineering plastics."*[108]

77. *Second, as the TRA found,*[109] *the petrochemicals sector is a sector dominated by SOEs:*

- *Sinopec is an SOE and is one of the largest petrochemical companies in the PRC.*[110] *It has two subsidiaries, Sinopec Shanghai Petrochemicals and Fujian Petrochemical Company that produce plastics, which are also SOEs.*[111]
- *The China National Petroleum Corporation is an SOE and is one of the largest petrochemical companies in the PRC.*[112] *It produces a wide range of petrochemical products, including polyethylene for the production of plastics.*[113]

78. *Third, privately-owned plastics producers operate under the influence, supervision and control of the CCP. The GOC's influence is demonstrated by the membership of managerial personnel at petrochemical companies to the CCP. For example, the general manager of plastics producer Chongqing Wankai New Materials, a Chinese privately-owned plastics producer, is CCP's branch secretary.*[114] *Another example is the deputy chairman of the board of directors and general manager of Jiangsu Sanfame Ltd., which is also CCP member.*[115]

79. *Further, the GOC and CCP also control and supervise large petrochemical associations in the PRC. The China Petrochemical and Chemical Industry Federation (**"CPCIF"**) states in their Articles of Association that:*

> *"[CPCIF] adheres to the comprehensive leadership of the Communist Party of China […]. The association accepts business guidance and supervision from the Ministry of Civil Affairs and industry management departments."*[116]

80. *Fourth, the GOC provides subsidies to the petrochemical sector. Decision No 40 of the State Council ("**Decision No. 40**") is an order from the highest administrative body in the PRC, and its implementing act, the "Guidance Catalogue for the Industrial Structure Adjustment" ("**Guidance Catalogue**")*

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108 *GOC, Petrochemical Industry Work Plan, **Annex E.2.1.38**, p. 5.*
109 *TRA,* Biodiesel from China*, AD0058, Statement of Essential Facts, para. 157.*
110 *Sinopec, 2025 Annual Report, **Annex E.2.1.39**, p. 73.*
111 *Sinopec, 2025 Annual Report, **Annex E.2.1.39**, p. 140.*
112 *TRA,* Biodiesel from China*, AD0058, Statement of Essential Facts, para. 157.*
113 *China National Petroleum Corporation, '2024 Annual Report,' **Annex E.2.1.40**, p. 34.*
114 *See Recital 73 of Commission Implementing Regulation (EU) 2023/2659 of 27 November 2023 imposing a provisional anti-dumping duty on imports of certain polyethylene terephthalate originating in People's Republic of China.*
115 *See Regulation (EU) 2023/2659, Recital 73.*
116 *CPCIF, Articles of Association, Article 3, **Annex E.2.1.41**.*

identifies petrochemicals, fine chemicals, and bio-chemicals as "encouraged industries."[117] *Encouraged industries receive subsidies.*[118] *The Guidance instructs public bodies and economic operators to administer investment projects, and enforce policies on public finance, taxation, credit, land, import and export in the encouraged sectors.*[119]

81. *Fifth, the GOC cross-subsidizes Robot Mowers producers in the PRC* via *subsidies to the petrochemical sector. The majority of the largest Chinese Robot Mower producers are also active in plastics production. To the Applicant's knowledge, at least the following Robot Mowers producers also produce plastics:*

- *Sumec produces "bio-degradable plastics".*[120]
- *Ecovacs' wholly-owned subsidiary Suzhou Tongfan Intelligent Technology Co., Ltd. is a plastics producer.*[121]
- *Globe Tech's wholly-owned subsidiary Changzhou Vika Plastics Co., Ltd. is a plastics producer and supplies plastics to Globe Tech.*[122]
- *Yat's wholly-owned subsidy Zhejiang Shengju Plastic Co. Ltd. producers and supplies plastics to Yat.*[123]

82. *Therefore, the largest Robot Mowers producers in the PRC benefit from GOC's intervention and subsidisation in the petrochemical sector.*

83. *In sum, there is compelling evidence of significant GOC direction and control in the petrochemicals sector in the PRC, which distorts the costs of plastics used in the production of Chinese Robot Mowers. The distortions in the petrochemical sector also directly benefit the largest Chinese Robot Mowers, which also produce plastics.*

iii. Motors and electric engines

84. *Motors and electric engines are key inputs for Robot Mowers.*

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117 *GOC, Decision No. 40,* ***Annex E.2.1.25****; GOC, Industrial Structure Adjustment Guidance Catalogue,* ***Annex E.2.1.26****, p. 20.*
118 *GOC, Decision No. 40,* ***Annex E.2.1.25****; GOC, Industrial Structure Adjustment Guidance Catalogue,* ***Annex E.2.1.26****, p. 20.*
119 *GOC, Decision No. 40,* ***Annex E.2.1.25****; GOC, Industrial Structure Adjustment Guidance Catalogue,* ***Annex E.2.1.26****, p. 20.*
120 *Sumec, 2023 Annual Report,* ***Annex E.2.1.13****, p. 31.*
121 *Ecovacs, 2024 Annual Report,* ***Annex E.2.1.42****, p. 4.*
122 *Globe Tech, 2023 Annual Report,* ***Annex E.2.1.43****, p. 290.*
123 *Zhejiang Yat, Prospectus,* ***Annex E.2.1.44****, p. 101.*

85. As a result of GOC control and intervention, the cost of motors used in the manufacturing of Robot Mowers in the PRC is distorted. The Applicant makes three points in this regard.

86. First, as explained,[124] GOC planning directs resources toward sectors the GoC deems strategic or otherwise politically important, rather than allowing market forces to determine their allocation. The motors sector is at the core of GoC's ambitions as it is targeted in several general and robot or electronic components-specific GOC plans, including the FYP14, Made in China 2025, the Robot Plan, the FYP14 Electronic Components Plan, the Intelligent Robots Plan and the Electronic Components Action Plan.

87. The FYP14 Electronic Components Plan states that the plan involves scaling up and enhancing the production of several types of motors such as micro motors, motor controllers, and robot servo motors.[125]

88. Similarly, the Electronic Components Action Plan states that the GOC aims to focus on promoting the application of micro motors, and servo motors.[126]

89. Additionally, the Robot Plan states that the GOC aims to:

> *"[o]ptimise high-performance servo drive control, servo motor structure design, manufacturing process, self-tuning and other technologies, and develop high-precision, high-power density servo motors for robots and high-performance motor brakes and other core components."[127]*

90. Second, Chinese motor producers are large SOEs which are backed by government investments. As explained,[128] the GOC controls these SOEs. SOEs are dominate the Chinese motor and engine market. The following are some of the SOEs:[129]

- *China National Electric Motor Group Co., Ltd: Company is controlled by Ningbo Juntuo Enterprise Management Co., Ltd., which is jointly funded by China Minmetals Group, China State-owned Enterprise Structural Adjustment Fund, Jianxin (Beijing) Investment Fund, Guoxin Guotong (Zhejiang) Investment Fund and other units.[130]*

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124 *See above, Section 3.1.1.*
125 *GOC, FYP14 Electronic Components Plan,* ***Annex E.2.1.30****, pp. 59, 70, 135.*
126 *GOC, Electronic Components Action Plan,* ***Annex E.2.1.31****, pp. 6, 9, 10, 13.*
127 *GOC, Robot Plan,* ***Annex E.2.1.27****, p. 12.*
128 *See above, Section 3.1.1.*
129 *Hanbangwangye, Top 10 Chinese Motor Enterprises (Top 10 Chinese Motor Enterprises Ranking),* ***Annex E.2.1.45****.*
130 *Moomoo, 603988 SEC Electric Machinery,* ***Annex E.2.1.46****.*

- *Shanghai Electric Machinery Co., Ltd: It is a subsidiary of the Shanghai Electric Group Co. Ltd. As the Commission found, it is a Chinese SOE.*[131]

- *Chongqing Changan Electric Machinery Co., Ltd: It is a subsidiary of Changan Automobile, an SOE.*[132]

- *The Commission also identified an SOE as an engine producer but did not mention the name of the producer.*[133]

91. *Specifically in the motor markets that are relevant to the Robot Mower industry, for example, brushless direct current motors*[134] *and servo motors,*[135] *Chinese SOEs are present:*

- *Shanghai Beiling Co., Ltd: Huada Semiconductor Ltd., a Chinese SOE, holds 25% shares. The company is ultimately controlled by China Electronics Information Industry Group Co., Ltd., a Chinese SOE. The company has pledged to "expand the advantages of state-owned products."*[136]

- *Changying Xinzhi Technology Co., Ltd.: Company's shares are held by China Construction Bank Corporation - Cinda Aoyin New Energy Industry Equity Fund, Guangfa Bank Limited and Shangli County Chuangding Investment Co., which are state-funded. The head of the company, Yin Xingman, is a member of the CPC and was deputy director of Taizhou city's People's Congress. Zhang Yong, an independent director, also serves on the board of Shanghai State-owned Capital Operation Research Institute Co. He was the assistant director and deputy director of Development and Reform Commission*

131 *European Commission, Statement by Commissioner Breton on withdrawal of LONGi Solar Technologie GmbH and Shanghai Electric from public procurement following the Commission's opening of an investigation under the Foreign Subsidies Regulation, 13 May 2024,* ***Annex E.2.1.47****.*

132 *South China Morning Post, State-owned carmaker Changan joins likes of BYD and Great Wall Motors in Southeast Asia foray, to build factory in Thailand, 25 August 2023,* ***Annex E.2.1.48****.*

133 *Recital 382 of Commission Implementing Regulation (EU) 2019/72 of 17 January 2019 imposing a definitive countervailing duty on imports of electric bicycles originating in the People's Republic of China.*

134 *Xinhaiwen, Top 10 Brushless Motor Manufacturers in China,* ***Annex E.2.1.49****.*

135 *Jinbao Motor, The market distribution of servo motors and the introduction of well-known brands,* ***Annex E.2.1.50****.*

136 *Shanghai, Beiling Co., Ltd., 2024 Annual Report,* ***Annex E.2.1.51****, pp. 92-101; Shanghai, Beiling Co., Ltd., 2022 Annual Report,* ***Annex E.2.1.52****, pp. 49, 121, 126.*

of Taizhou city and deputy director of Economic Division of the Research Office of Zhejiang government.[137]

- *Dongfang Electric: The company is an SOE.*[138]
- *Wuhan Huazhong CNC Co., Ltd: Company is an SOE.*[139]
- *Estun Automation: China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. is a shareholder of a subsidiary of Estun.*[140]
- *Wolong Electric Drive Group Co.: Company's shareholders involve GOC-backed funds such as China Construction Bank Corporation and Shaoxing Shangyu District State-owned Capital Investment and Operation Co.*[141]
- *Hanyu Group Co.: Company's shareholders involve GOC-backed funds such as Industrial and Commercial Bank of China Limited Guangfa Ruiyu OneYear Holding Period Mixed Securities Investment Fund and Industrial and Commercial Bank of China Limited GF Multi-Factor Flexible Allocation Mix Securities Investment Fund. Company directors and senior management personnel are members of CPC and have worked for the GOC. For example, Li Zhenhua, a director, and Xu Dongling, a senior manager, are members of CPC. Ma Chunshou, a director, has worked in the Longyan District Finance Bureau.*[142]
- *Zhejiang Jiechang Linear Drive Technology Co.: Company's shareholders involve GOC-backed funds such as Commercial Bank of China Limited - Huashang Lexiang Connected Flexible Allocation Mixed Securities Investment Fund.*[143]
- *Jiangxi Special Electric Machinery Co.: Company's shareholders involve GOC-backed funds such as Yichun Yuanzhou District State-owned Assets Operation Corporation, Bank of China Limited, Yichun Yuanzhou District Financial Holding Co., Ltd. Company, UBS New Energy Mixed Stock Investment Fund, Bank of China Limited, UBS*

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137 *Changying Xinzhi Technology Co., Ltd, 2021 Annual Report,* ***Annex E.2.1.53****, pp. 60, 69, 119, 121, 122.*

138 *China Daily, China Dongfang Electric Co. (DEC),* ***Annex E.2.1.54****.*

139 *GWY, Is Huazhong CNC a state-owned enterprise?,* ***Annex E.2.1.55****.*

140 *Xinhua Press, The state-owned mixed-ownership reform fund took a stake in Estun's subsidiary, 25 July 2024,* ***Annex E.2.1.56****.*

141 *Wolong Electric Drive Group Co., 2024 Annual Report,* ***Annex E.2.1.57****, pp. 110-111. See also Wolong Electric Drive Group Co., 2023 Semi Annual Report,* ***Annex E.2.1.58****, p. 4.*

142 *Hanyu Group Co., 2022 Annual Report,* ***Annex E.2.1.59****, pp. 80, 81, 84, 136.*

143 *Zhejiang Jiechang Linear Drive Technology Co., 2024 Annual Report,* ***Annex E.2.1.60****, p. 81. See also Zhejiang Jiechang Linear Drive Technology Co., 2023 Semi Annual Report,* ***Annex E.2.1.61****, p. 65.*

Industrial Trend Mixed Securities Investment Fund, Bank of Communications Co., Ltd, HSBC Jinxin Low Carbon First Frontier Equity Securities and Bank of Communications Co., Ltd.[144]

92. *Third, privately-owned Chinese motor producers are entrusted and directed by the GOC, and required to implement GoC's plans. This is evidenced by actions taken by privately-owned motor suppliers in accordance with different GOC plans and policies. As explained,*[145] *privately-owned companies in China are required to, and indeed do, implement the GOC's plans and policies. For example, Shanghai Beiling Co., Ltd., stated that it will "actively implement the '14th Five-Year Plan'."*[146] *Shanghai Mingzhi Electric Appliances Co., Ltd. noted that several government policy support, including several 14th five-year plans, continue to bring new development opportunities.*[147]

93. *In line with the above, the European Commission found that the motors sector in the PRC is subsidised, by highlighting the central position of the motor sector in the central planning subsidization schemes.*[148]

94. *In sum, there is compelling evidence of significant GoC direction and control in the motors sector in the PRC, which distorts the costs of motors used in the production of Chinese Robot Mowers.*

iv. Batteries and battery inputs

95. *Batteries are an important component of Robot Mowers. Some Chinese Robot Mower producers also manufacture batteries,*[149] *such as, Chervon,*[150] *Globe Tech,*[151] *YAT,*[152] *and Positec.*[153]

96. *As a result of GoC control and intervention, the cost of batteries and inputs of batteries used in the manufacturing of Robot Mowers in the PRC is distorted. The Applicant addresses distortions affecting inputs of batteries, and batteries, in turn.*

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144 *Jiangxi Special Electric Machinery Co., 2024 Annual Report,* ***Annex E.2.1.62****, pp. 97-99; Jiangxi Special Electric Machinery Co., 2023 Semi Annual Report,* ***Annex E.2.1.63****, pp. 60-61.*

145 *See above, section 3.1.1.*

146 *Shanghai Beiling Co., Ltd., 2022 Annual Report,* ***Annex E.2.1.52****, p. 46. See also Shanghai Beiling Co., Ltd., 2024 Annual Report,* ***Annex E.2.1.51****, p. 39.*

147 *Shanghai Mingzhi Electric Appliances Co., Ltd., 2023 Annual Report,* ***Annex E.2.1.64****, pp. 32-34.*

148 *Regulation 2019/72, recitals 417-425.*

149 *Heidi Peters, Battle of the batteries: the battery as a Trojan horse in the green sector, De Hovenier, 26 January 2023,* ***Annex E.2.1.65****.*

150 *Chervon, About EGO and Chervon,* ***Annex E.2.1.66****.*

151 *Globe Tech, Who are Greenworks,* ***Annex E.2.1.67****.*

152 *YAT, Company Profile,* ***Annex E.2.1.68****.*

153 *Max Warehouse, Positec 20V Poweshare 2 Ah Lithium-Ion Battery,* ***Annex E.2.1.69****.*

97. First, the GOC intervenes in the batteries sector through planning regarding raw materials used in the production of batteries.

98. The Raw Materials Plan lists the main objectives for the entire raw material industry and contains measures specifically targeting the raw materials used for the production of batteries, such as lithium, nickel, manganese, cobalt, copper, zinc, natural graphite and rare earth materials in the PRC are subject to GOC planning.[154]

*99. The New Energy Vehicle Industry Development Plan (2021-2035) ("**New Energy Vehicle Plan**") states that the GOC aims to "promote the development of the entire value chain of power batteries" and "[e]ncourage enterprises to improve their ability to secure key resources such as lithium, nickel, cobalt and platinum."*[155]

100. Second, the GOC provides policy support to Chinese battery input producers. Three key metals used in lithium-ion batteries are lithium, cobalt and nickel. Additional raw materials include manganese, copper, graphite, zinc and rare earths (especially neodymium and praseodymium). The New Energy Vehicle Industry Development Plan (2021-2035) states that the GOC aims to "promote the development of the entire value chain of power batteries" and "[e]ncourage enterprises to improve their ability to secure key resources such as lithium, nickel, cobalt and platinum."[156]

101. Third, the GOC imposes export restrictions, including via export licensing and export quota, on almost all minerals and metals used to produce batteries, which it considers critical.[157] *These include lithium, cobalt, nickel, manganese, copper, zinc, graphite and rare earth materials.*

102. Regarding lithium in particular, Yichun city, based in the Jiangxi province, is "Asia's lithium capital,"[158] *and several lithium mining companies are located there. The Yichun municipality provides clear guidelines and specific targets to manage and develop local lithium mineral resources in order to ensure extraction and smelting facilities for the benefit of the new energy industry,*[159] *which includes the Chinese Robot Mower industry.*

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154 *GOC, Raw Materials Plan, **Annex E.2.1.37**.*
155 *GOC, New Energy Vehicle Industry Development Plan (2021-2035), 1 November 2021, **Annex E.2.1.70**.*
156 *GOC, New Energy Vehicle Plan, **Annex E.2.1.70**.*
157 *OECD, Inventory of export restrictions, **Annex E.2.1.71**, pp. 14-16.*
158 *Yujie Xue, Asia's lithium capital grinds to a halt as output of battery material stops in Yichun amid pollution investigation in Jiangxi province's Jin River, South China Morning Post, 7 December 2022, **Annex E.2.1.72**.*
159 *GOC, Notice on strengthening the management of lithium mineral resources in Yichun, Yifu Fa [2009] No. 31, 23 November 2009, **Annex E.2.1.73**.*

103. The municipality also states that it "actively support[s] and help the city's lithium battery new energy enterprises to become bigger and stronger, establish a long-term cooperation and mutually beneficial strategic partnership between the two sides, give priority to ensuring the supply of raw materials for lithium battery new energy enterprises"[160]

104. The Yichun Municipality 2021-2025 Mineral Resource Master Plan states that the GOC aims to "take the 'resources for industry' road, accelerate the transformation of resource advantages to industrial advantages, from raw materials to downstream application of transformation of deep processing, to do a better job of the lithium core materials industry, lithium battery industry, [and] to [in]crease national strategic emerging industry clusters."[161]

105. Regarding batteries, the GoC heavily intervenes in the Chinese batteries sector, which results in distorted batteries prices on the Chinese market.[162]

106. First, the GoC intervenes in the batteries sector through planning. The FYP14 provides expressly for the objective of "increase in manufacturing core competitiveness" in new energy vehicles and intelligent vehicles, and indicates that this objective will be achieved through breakthroughs in key technologies, such as batteries.[163]

107. The Interpretation of MIC25: Promoting the Development of Energy-saving and New Energy Vehicles, under the section titled "Main paths to promote the development of energy-saving and new energy automobile industry," states that the GOC provides support in terms of R&D and industrialization of key core technology and components, including batteries.[164]

108. The 2017 Action Plan for Promoting the Development of the New Energy Vehicle Battery Industry explains that power batteries are the heart of BEVs and the key to the development of the new energy vehicle industry. According to the plan, if power battery products meet certain conditions, then they enjoy preferential tax policies for HNTEs, technology transfer and technology development.[165]

109. The Notice on Doing a Good Job in the Coordinated and Stable Development of the Lithium-ion Battery Industry Chain and Supply Chain lays out scientific

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160 *GOC, Notice on strengthening the management of lithium mineral resources in Yichun,' Yifu Fa [2009] No. 31, 23 November 2009,* ***Annex E.2.1.73****.*

161 *GOC, Yichun Municipality, Mineral Resource Master Plan (2021-2025),* ***Annex E.2.1.74****.*

162 *China Report,* ***Annex E.2.1.1****, p. 601; Regulation 2019/72, Section 3.7.3.*

163 *GOC, FYP14,* ***Annex E.2.1.7****, p. 22.*

164 *GOC, Interpretation of Made in China 2025: Promoting the development of energy-saving and new energy vehicles, 12 May 2016,* ***Annex E.2.1.75****.*

165 *GOC, Action Plan for Promoting the Development of the New Energy Vehicle Battery Industry, 20 February 2017,* ***Annex E.2.1.76****.*

planning to promote the development of the Lithium battery industry and the Notice on Several Policies and Measures to Optimize and Strengthen the Lithium Battery New Energy Industry in [Jiangxi] Province lists several support measures to the lithium battery industry.[166]

110. *Second, the Chinese battery sector is dominated by large SOEs.*[167] *As explained,*[168] *SOEs in the PRC are public bodies that the GOC backs and controls.*

111. *There are many SOEs that operate in the Chinese battery market, and several supply batteries and battery inputs to Chinese Robot Mower producers:*

- *Changhong Sanjie is ultimately controlled by the Mianyang Municipal Government SASAC. This company supplies lithium batteries to Chinese Robot Mower producer YAT.*[169]
- *Huizhou Yiwei Lithium Energy is owned by large commercial banks in which the GOC owns a majority stake,*[170] *and by China Minsheng Bank, which is partially owned by the GOC.*[171] *This company supplies lithium batteries to Chinese Robot Mower producers YAT*[172] *and Globe Tech.*[173]
- *Lishen, another battery supplier of Chinese Robot Mower producer Globe Tech,*[174] *is an SOE.*[175]

112. *Additionally, as explained above,*[176] *privately-owned Chinese battery and battery input producers are entrusted and directed by the GOC. This is*

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166 *GOC, Notice of the General Office of the Ministry of Industry and Information Technology and the General Office of the State Administration for Market Regulation on Doing a Good Job in the Coordinated and Stable Development of the Lithium-ion Battery Industry Chain and Supply Chain [2022] No. 298 and GOC, The Jiangxi Provincial People's Government issued a notice on several policies and measures to make the lithium battery new energy industry in our province better and stronger, Gan Fu Fa [2022] No. 21, 11 November 2022,* ***Annex E.2.1.77****.*

167 *China Report,* ***Annex E.2.1.1,*** *p. 601.*

168 *See above, section 3.1.1.*

169 *YAT, Prospectus'* ***Annex E.2.1.44****, p. 368. Changhong Sanjie is controlled by Sichuan Changhong New Energy Technology, which is further controlled by the SASAC. See Sichuan Changhong New Energy Technology Co., Ltd., 2023 Annual Report,* ***Annex E.2.1.78****, pp. 7, 171. See also Sichuan Changhong New Energy Technology Co., Ltd., 2024 Annual Report,* ***Annex E.2.1.79****, pp. 8, 46.*

170 *See Huizhou Yiwei Lithium Energy Co., 2023 Annual Report,* ***Annex E.2.1.80****, pp. 188-189. The said banks are the China Construction Bank Corporation, Industrial and Commercial Bank of China.*

171 *See by analogy, Regulation 2021/2287, recital 191.*

172 *YAT, Prospectus,* ***Annex E.2.1.44****, p. 28.*

173 *Globe Tech, Prospectus – Suppliers extract,* ***Annex E.2.1.81****.*

174 *Globe Tech, Prospectus – Suppliers extract,* ***Annex E.2.1.81****.*

175 *Lishen, About us,* ***Annex E.2.1.82****.*

176 *See above, Section 3.1.1.*

evidenced by actions taken by privately-owned battery suppliers in accordance with GOC plans and policies, the implication of the CCP in their management, and the financial support they receive by the GoC.[177]

113. *A paradigmatic example of such a privately-owned company is BYD, a supplier of vacuum cleaner batteries to Ecovacs, which is also a producer of Robot Mowers.*[178] *Ecovacs "uses its identity as a private enterprise to acquire foreign technology, markets and data, and then transfers it to Chinese state-owned enterprises and military-industrial enterprises,"*[179] *showing a clear connection between BYD and the GOC. Further, in 2022, BYD's Party Secretary reported that it "must fully implement the spirit of the 20th National Congress of the Party"*[180] *indicating that BYD furthers GOC plans and policies. BYD is the "single most subsidized Chinese player in its field,"*[181] *and received EUR 3.4 billion in GOC subsidies for BEVs and "other clean technologies."*[182]

114. The *domination* of the *Chinese battery sector by SOEs and CCP-controlled and GoC-backed private companies causes prices* to be *(a) ultimately determined by the GOC's policies and plans,* and control, *rather than dictated by the* free *market* forces*; and (b) depressed by prices set by SOEs, which privately-owned battery producers follow.*

115. *In sum, there is compelling evidence of significant GoC direction and control in the batteries and battery inputs sectors in the PRC, which distorts the costs of batteries used in the manufacturing of Robot Mowers in the PRC.*

v. Steel

116. *Steel is a key input for Robot Mowers' cutting systems.*[183]

117. *As a result of GoC intervention in the steel sector, the cost of cutting systems in the production of Robots Mowers in the PRC is significantly distorted.*

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177 *See by analogy, Regulation 2024/1866, recital 840.*

178 *Battery.com.sg, BYD DK560 Battery for Deebot Ecovacs DK560 Vacuum Cleaner,* ***Annex E.2.1.83****.*

179 *VOA, Huawei and BYD building factories in Europe raise safety concerns, 19 January 2024,* ***Annex E.2.1.84****.*

180 *Sohu, Warm congratulations! BYD Auto Finance Party Branch was officially established, 14 December 2022,* ***Annex E.2.1.85****.*

181 *U.S. Senate, Testimony of Emily de La Bruyere Before the United States Senate Committee on Banking, Housing, and Urban Affairs Hearing on the Threats Posed by State-Owned and State-Supported Enterprises to Public Transportation, 5 March 2020,* ***Annex E.2.1.86****.*

182 *Frank Bickenbach, Dirk Dohse, Rolf J. Langhammer and Wan-Hsin Liu, EU Concerns About Chinese Subsidies: What the Evidence Suggests, 59(4) Intereconomics 214-221, 2024,* ***Annex E.2.1.87****, p. 218.*

183 *See, e.g., Husqvarna, Husqvarna Automower Enhance HSS Blades,* ***Annex E.2.1.88****.*

118. Chinese Robot Mower producers benefit from the provision of steel, which, as the TRA established, is affected by a PMS in the PRC.[184] *In its previous determinations, the TRA found that the steel sector in the PRC is affected by a PMS. In TRA's words: "The PRC is the world's largest steel producer … Distortions in the Chinese steel market are well known."*[185]

119. The Applicant recalls, in turn, the grounds on which the TRA found a PMS affecting the steel sector in the PRC, noting that these remain applicable as they are systemic and should likewise be found to exist in the present investigation.[186]

120. First, the TRA found that the steel industry forms a key part of GOC's economic planning[187]*. Namely, the 14th FYP indicating explicit GOC commitments to "transform and upgrade traditional industries, promote the optimization and structural adjustment of raw material industries such as […] steel."*[188] *The steel sector forms key part of State economic planning as outlined in Steel Industry Development Policy, and other relevant plans, such as:*

- *Raw Materials Plan*[189]
- *Thirteenth Five Year Development Plan for the Steel Industry*[190]
- *Order No. 35 of the National Development and Reform Commission – Policies for Development of Iron and Steel Industry*[191]
- *Law of the People's Republic of China on the State-owned Assets of Enterprises*[192]
- *Measures for the Supervision and Administration of the Investments by Central Enterprises*[193]

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184 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 219.*
185 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 219.*
186 *TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, para. 241.*
187 *TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, para. 226. See also, GOC, State Council, 'China to support steel sector's steady operation, structural upgrading,'* ***Annex E.2.1.89****.*
188 *TRA,* Certain Excavators from China*, AD0047, Statement of essential facts, para. 160. TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, para. 226.*
189 *GOC, Raw Materials Plan,* ***Annex E.2.1.37****.*
190 *GOC, Thirteenth Five Year Development Plan for the Steel Industry,* ***Annex E.2.1.90****.*
191 *GOC, Order No. 35 of the National Development and Reform Commission – Policies for Development of Iron and Steel Industry,* ***Annex E.2.1.91****.*
192 *GOC, Law of the People's Republic of China on the State-Owned Assets of Enterprises,* ***Annex E.2.1.92****.*
193 *GOC, Measures for the Supervision and Administration of the Investments by Central Enterprises,* ***Annex E.2.1.93****.*

- *Measures for the Administration of Development Strategies and Plans of Central Enterprises*[194]
- *Announcement of the Ministry of Finance and the State Taxation Administration on Disqualifying Certain Iron and Steel Products from Export Tax Refund*[195]
- *Guiding Opinions on Promoting the High-quality Development of the Iron and Steel Industry, MIIT Lianyuan 2022 No. 6.*[196]

121. *Further, the GOC actively encourages Chinese steel companies to cooperate with downstream industries, such as the Chinese Robot Mower industry. The Guiding Opinions on Promoting the High-Quality Development of the Iron and Steel Industry ("**2022 Guiding Opinions**") states that the GOC aims to "[e]stablish and improve the upstream and downstream cooperation mechanism for new steel material in key areas," and that it will support "iron and steel enterprises to aim at the upgrading of downstream industries and the development direction of strategic emerging industries."*[197]

122. *Second, the TRA established that the steel sector in the PRC receives substantial subsidies that reflect the PRC's long-term strategic objectives mentioned above. The existing extensive subsidisation, which is found to be on the rise,*[198] *stems from the GOC's deliberate policy to actively promote domestic iron ore mining, as part of a strategy to maximize the PRC's resource security. As the TRA put it:*

> *"The steel industry in the PRC is heavily subsidised, though the true extent of these subsidies can be difficult to determine as many of the subsidies may be received at local government level."*[199]

123. *Third, the TRA found the steel industry to be "dominated by SOEs" which are used as "vehicles to pursue the government's economic policies" and are "likely to attract state support" in various forms ranging from currency policies*

194 *GOC, Measures for the Administration of Development Strategies and Plans of Central Enterprises,* ***Annex E.2.1.94****.*
195 *GOC, Announcement of the Ministry of Finance and the State Taxation Administration, Certain Iron and Steel Products Cancellation on Export Tax Refund, Announcement No. 16 [2021], 26 April 2021,* ***Annex E.2.1.95****.*
196 *GOC, Guiding Opinions on Promoting the High-Quality Development of the Iron and Steel Industry, MIIT Lianyuan [2022] No. 6,* ***Annex E.2.1.96****.*
197 *GOC, 2022 Guiding Opinions,* ***E.2.1.96.***
198 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 221.*
199 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 219 (emphasis added).*

to cash grants.[200] *As shown above, Chinese SOEs act as instruments for implementing GOC's strategic policies.*[201]

124. *Fourth, the TRA found that the GOC provides and controls key inputs to the steel sector, and controls steel production through several policies.*[202] *For example, through adjustments to export tariffs for steel inputs such as pig iron and of VAT rebates for exports of certain steel products.*[203] *As such type of "adjustments" make exporting less attractive to steel producers, they indirectly serve to lower the prices paid by domestic user industries, such as the Robot Mowers industry.*

125. *In sum, the foregoing established non-commercial factors demonstrate the systemic and significant control the GOC exerts over the steel sector in the PRC. Such distortions make steel sourcing for cutting systems artificially economical for Chinese Robot Mowers producers, which, in turn, results in the production of Robot Mowers at distortedly low prices. Without these established distorted costs, Chinese Robot Mowers producers would have to source steel at internationally competitive prices, as UK producers.*

c. Energy cost

126. *As a result of GOC intervention, energy cost in the PRC is distorted.*

127. *Energy cost incurred by Chinese Robot Mowers producers is distorted because of GOC intervention in the energy market, which reflects non-commercial factors. As the TRA found, electricity transmission and distribution in the PRC are subject to price controls by the GOC.*[204] *The TRA found that "[e]nergy is subject to price-setting or guided by local governments."*[205] *Such GOC intervention at a national or local level causes prices to be artificially low.*

128. *Energy transmission and distribution prices in the PRC are also artificially low as they are heavily influenced by the GOC, both in the form of imposition of government-fixed prices and government-guided prices.*[206] *As the WTO Secretariat put it:*

> *"The institutional framework of China's energy sector remained largely unchanged. The National Energy Commission (NEC) is the*

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200 *TRA,* Certain Excavators from China*, AD0047, Statement of essential facts, para. 161; Final determination, para. 221. TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, paras. 228, 230-232.*

201 *See above, section 3.1.1.*

202 *TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, para. 236.*

203 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 223. TRA,* Tin Mill Products from China*, AD0062, Final affirmative determination, para. 239.*

204 *See, e.g., TRA's findings in AD0012, AD0021, TD0035, AD0047, AD0062, and AD0058.*

205 *TRA,* Aluminium extrusions from China*, AD0012, Final determination, section F2.*

206 *WTO, China trade policy review report, 2024,* ***Annex E.2.1.97****, table 3.20, p. 86.*

> *coordinating and consultation body. The National Energy Administration (NEA), operating under the NDRC, is responsible for formulating and implementing energy development strategies, plans, and policies …."*[207]

129. *The department of pricing of the National Development and Reform Commission ("**NDRC**") states on its official website that its "function" is to:*

> *"Monitor, forecast and give warning of price changes, and propose price control targets and policy recommendations. Promote the price reforms for important commodities, services, and production factors. Organize and draft the relevant price and charging regulations and policies. Organize and set up the prices for a few important commodities and services managed by the state, and formulate the important charging policies, adjust the prices and charging standards of commodities and services managed by the central government. Organize cost surveys in key industries, important agricultural products, important commodities and services, and undertake cost supervision and review of government pricing items according to rules and regulations."*[208]

130. *The power of the NDRC to intervene in energy prices is enshrined in the Price Law of the PRC, which provides that "[w]hen necessary, the government may guide or fix the prices for the following commodities and services: … important public utilities."*[209] *Applying this law, the GOC maintains since 2020 a "Central Government Pricing Catalogue."*[210] *The currently applicable list includes "provincial and above provincial power grid transmission and distribution prices."*[211] *In 2022, the NDRC published a press release stating that "80 percent of electricity [prices] are set by the market,"*[212] *meaning that at least 20% of electricity prices in the PRC are not at market levels.*

131. *In sum, there is evidence of significant GOC direction and control in the energy sector in the PRC, which distorts the cost of energy for Robot Mowers producers.*[213]

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207 *WTO, China trade policy review report, 2024, **Annex E.2.1.97**, para. 4.80.*

208 *NDRC, Department of price, **Annex E.2.1.98**.*

209 *GOC, Price Law of the PRC, Article 18, **Annex E.2.1.99**.*

210 *To the best of Applicant's knowledge, the Catalogue was not updated or replaced by the NDRC during the POI.*

211 *GOC, Central Government Pricing Catalogue of the PRC, 2020, **Annex E.2.1.100**.*

i. [212] *NDRC, China's pricing mechanism highly market-based, 2022, **Annex E.2.1.101**.*

213 *This is also the case for any captive energy production, as there are upstream distortions for e.g., inputs, such as artificially low-priced coal, or equipment, such as artificially low-priced solar panels. Further, there are also distortions in the case of direct power purchases, which result in artificially low-priced energy for certain industries.*

d. Land cost

132. As a result of GOC intervention, land costs in the PRC are distorted.

133. As the TRA found, prices paid in the PRC for land use rights are not representative of a market price determined by free market supply and demand.[214] In line with these findings, the Applicant makes three points.

134. First, the GOC ultimately owns all land in the PRC. The Land Administration Law of the PRC states that all urban land in the PRC is owned by the state.[215] As to the buying and selling of land, Article 10 of the Constitution of the PRC provides that:

> *"[T]the State may, in the public interest and in accordance with the provisions of law, expropriate or requisition land for its use and shall make compensation for the land expropriated or requisitioned. No organization or individual may appropriate, buy, sell or unlawfully transfer land in other ways. The right to the use of the land may be transferred in accordance with the law."[216]*

135. As the TRA explained,[217] the GOC (whether centrally or via villages or townships) grants land use rights.[218] Prices for land use rights are arbitrarily set by the authorities and are either artificially low or have been allocated free of charge to certain favoured industries.[219]

136. Second, the GOC determines how industrial land is used. In FYP14, the GOC stated that it would "promote the increase in capacity and efficiency of industrial land and promote new models of industrial land."[220] In addition, local government regulations state that the expectation is that land allocation will reflect non-market factors:

> *"Municipal and county people's governments shall, in accordance with the overall land use plan and urban and rural planning, determine the urban development boundaries and prohibited construction*

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214 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 340; TRA,* Certain Excavators from China*, AD00047, Final determination, para. 284; TRA,* Tin mill products from China*, AD0062, Statement of essential facts, para. 147; TRA,* Bus and Lorry Tyres from China*, TD0035, Final determination, para 244.*

215 GOC, *Land Administration Law of the PRC,* ***Annex E.2.1.102****, Articles 1-2.*

216 *PRC, Constitution,* ***Annex E.2.1.4****, Article 10.*

217 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 335.*

218 *TRA,* Certain Excavators from China*, AD00047, Final determination, paras. 280-281.*

219 *TRA,* Tin mill products from China*, AD0062, Statement of essential facts, para. 147. See also TRA,* Certain Excavators from China*, AD00047, Final determination, paras. 280-281. See also TRA,* Hot-rolled flat and coil products from China*, TS0018, Statement of essential facts, para. 97 (summarizing European Commission findings).*

220 *GOC, FYP14,* ***Annex E.2.1.7****, p. 21.*

> *boundaries, and strictly implement the spatial control system for construction land.*
>
> *Strictly enforce land use requirements for projects within development zones (parks) and industrial clusters. Under the premise of complying with relevant plans, appropriately increase the investment intensity, plot ratio, and input-output ratio per unit of land for industrial construction projects, and optimize the allocation of land resources in development zones (parks) and industrial clusters."*[221]

137. *As previously mentioned,*[222] *the Industrial Structure Adjustment Catalogue, set out a list of encouraged industries. Encouraged industries receive GOC support and subsidies, for instance for financing, taxation, land, importation and exportation.*[223] *The GOC's interventions are particularly pronounced in industries that the GOC considers to be "strategic."*[224]

138. *As the TRA found, land use rights are provided at non-market prices for industries considered as "encouraged."*[225]

139. *Prices for land use rights are revised downwards for companies active in encouraged industries supported by the GOC.*[226] *This includes Robot Mower producers, as the Industrial Structure Catalogue, which is used to guide policy development in the administration of the sale of land use rights, lists Robot Mowers.*[227]

140. *Third, the provision of land use rights is distorted because the auction process according to which land use rights are allegedly auctioned to companies is, in any event, "unclear, non-transparent and not functioning in practice, and prices were found to be arbitrarily set by the authorities."*[228] *For instance, it appears to be common that there is only one bidder and that the land use rights are sold at the starting price for the auction, while it is unclear whether that starting price is set independently to reflect the market value of the land use rights.*[229] *In addition, some GOC bodies refund (part of) the cost of land use rights or allow the winning bidder to only pay years later.*[230]

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221 *GOC, Zhejiang Province Land Conservation and Intensive Use Measures, 2016,* ***Annex E.2.1.103****, Article 10.*
222 *See above, paras. 45-46.*
223 *GOC, Decision No. 40,* ***Annex E.2.1.25****, Article 12.*
224 *China Report,* ***Annex E.2.1.1****, p. 32.*
225 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 337.*
226 *See, by analogy, Regulation 2021/2287, recitals 549.*
227 *See above, paras. 58-59.*
228 *See, by analogy, Regulation 2021/2287, recital 541.*
229 *See, by analogy, Regulation 2021/2287, recitals 543 and 547.*
230 *See, by analogy, Regulation 2021/2287, recitals 544 and 547.*

141. For these reasons, the land cost for Chinese Robot Mower producers is distorted.

e. Labour cost

142. Labour costs are distorted in the PRC as a result of non-commercial factors, including explicit and implicit control by the GOC.

143. The TRA has found that there are labour cost distortions in the PRC.[231] In line with these findings, the Applicant makes three points.

144. First, the TRA's findings regarding labour costs distortions in the PRC are mainly based on PRC laws concerning unionisation and household registration (the hukou *system). The* hukou *registration system divides the population of the PRC into agricultural and non-agricultural citizens, restricting where people can live and work. The TRA found that despite reforms of the* hukou *system in 2020, "the same structure still applies and restricted movement for rural workers artificially creates a pool of underprivileged labourers who are willing to work for less than their urban counterparts."[232]*

145. This system has "helped bring down prices substantially, making Chinese products fiercely competitive in the world market" by introducing wage discrimination for a "a semi-urbanized/ marginalized migrant population" of rural Chinese who move to urban areas to work in among others manufacturing.[233]

146. Rural-to-urban migrants typically earn significantly less than workers with an urban hukou*, which constitutes a significant cost advantage for employers.[234] Reports suggest that the pay differential between agricultural and non-agricultural* hukou *registrations for public and non-public workers is between 5-13%.[235] As the TRA summarized it:*

> *"Having a two-tier system of citizenship where certain workers can only reside in the wealthier urban areas on a temporary basis conditional on them working, creates a pool of cheap labour, since the only alternative to accepting such wages would be a return to the deprived*

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231 *TRA,* Bus and Lorry Tyres from China*, TD0035, Final determination, paras. 250-258, 267; TRA,* Biodiesel from China*, AD0058, Final determination, para. 342. See also AD0012, AD0021, AD0047, and AD0062.*

232 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 342.*

233 *Kam Wing Chan, Internal migration in China: Integrating migration with urbanization policies and hukou reform, KNOMAD Policy Brief 16, 2021,* ***Annex E.2.1.104.****, p. 1.*

234 *GOC, National Bureau of Statistics of the PRC, Migrant workers monitoring survey report, 2023,* ***Annex E.2.1.105****. See also TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 161.*

235 *HKUST, Wage discrimination in urban China, 2015,* ***Annex E.2.1.106****. See also TRA,* Certain Excavators from China*, AD0047, Final determination, para. 254.*

> *rural areas."*[236]

147. *Second, the guarantee of the free association of workers is theoretical, and there is no official recognition of the right to strike in the PRC. The right of workers in the PRC to form or join a trade union is not effective as all unions must be affiliated with the one legally mandated body, the All-China Federation of Trade Unions ("**ACFTU**"). The ACFTU is a GOC body that answers directly to the central committee of the CCP.*[237] *The CCP constitution states that unions within non-public sector entities shall be controlled by CCP organisations to implement GOC policy:*

> *"Primary-level Party organizations in non-public sector entities shall implement the Party's principles and policies, guide and oversee their enterprises' observance of state laws and regulations, exercise leadership over trade unions, Communist Youth League organizations, and other people's group organizations, promote unity and cohesion among workers and office staff, safeguard the legitimate rights and interests of all parties, and promote the healthy development of their enterprises."*[238]

148. *Accordingly, the PRC's trade union law states that trade unions are "mass organizations of the working class" that operate under the leadership of the CCP, and that all trade unions must align ideologically and politically with the CCP.*[239]

149. *Therefore, Chinese workers in the Robot Mower industry cannot organize themselves or bargain collectively for better working conditions, namely through strike action. In 1982, the official recognition of the right to strike was removed from the Constitution of the PRC.*[240] *The GOC has not ratified the International Labour Organization's fundamental conventions C098 and C087, which relate to collective bargaining and freedom of association.*[241]

150. *Third, wages in the PRC are artificially low because they are not freely bargained between workers and employers as in an undistorted economy. Based on independent reports,*[242] *the TRA found that Chinese minimum income level remains comparatively low as compared to many other countries, including the UK.*[243] *This is mainly because many rural migrant*

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236 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 345.*
237 *GOC, Trade Union Law of the PRC,* ***Annex E.2.1.107****, Article 4.*
238 *CCP, Constitution,* ***Annex E.2.1.3****, Article 33.*
239 *GOC, Trade Union Law of the PRC,* ***Annex E.2.1.107****, Article 2 and Article 4.*
240 *Human Rights Council, Universal periodic review on PRC,* ***Annex E.2.1.108****, p. 2.*
241 *ILO, Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); ILO, Right to Organise and Collective Bargaining Convention, 1949 (No. 98). See also ILO, Ratifications of fundamental instruments by country,* ***Annex E.2.1.109****.*
242 *Reshoring Institute, Global Labor Rate Comparisons,* ***Annex E.2.1.110****.*
243 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 171.*

workers work in the informal economy or are undeclared, as noted. Therefore, employers in the PRC do not have to pay social protection insurance because they often do not conclude a contract of employment.[244] *As the TRA recently said, "[t]his confers an advantage to the employer of reduced labour costs."*[245]

151. *Finally, like all sectors, the Chinese Robot Mower industry is subject to Chinese labor laws that significantly distort wage costs. For instance, Daye reported that it "has established a standard remuneration system in strict compliance with labor laws and regulations and policies."*[246] *Greenworks also noted that it "strictly abides by national labor laws."*[247]

152. *It follows that Chinese labor laws and GOC intervention distort wage costs, which do not reflect free market forces to the benefit of the Chinese Robot Mower industry.*

f. Research and development cost

153. *The Robot Mower industry is a research-intensive industry, and R&D costs are a significant cost centre for Robot Mower manufacturers. R&D costs for Chinese Robot Mower manufacturers are distorted as a result of state control and intervention.*

154. *First, the GOC is investing heavily in R&D and is creating mechanisms to reduce R&D costs and innovation risks for companies active in strategic industries, such as the manufacturing industry.*[248]

155. *Specifically, in Made in China, the GOC supports the automated machines and robotics sectors in their R&D activities:*

- *"Accelerate the development of intelligent manufacturing equipment and products. Organize the research and development [("R&D")] of intelligent manufacturing equipment … industrial robots … with deep perception, intelligent decision-making, and automatic execution functions, and make breakthroughs in new sensors, intelligent measuring instruments, industrial control systems, servo motors, and drives."*

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244 *ILO, Improving social protection for internal migrant workers in China, 2019,* ***Annex E.2.1.111****, p. 4.*
245 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 165.*
246 *Daye, 2023 Annual Report, p. 113.*
247 *Greenworks, 2022 Annual Report,* ***Annex E.2.1.22****, p. 45.*
248 *China Report,* ***Annex E.2.1.1****.*

- *"Coordinate the layout and promote the R&D and industrialization of products such as intelligent vehicles … service robots, intelligent home appliances."*

156. *The Robot Plan, which implements FYP14, also aims to strengthen and develop R&D activities of the Chinese robot industry, which includes the Robot Mower industry:*[249]

- *"Strengthening of national major scientific and technological projects, national key R&D programmes, etc. on robotics research and development."*
- *"Development and application support. Implement tax policies such as additional deduction for R&D expenses. Promote active investment by various industrial funds and support the listing of qualified enterprises… Guid[e] financial institutions to innovate accounts receivable financing, supply chain financing and other service models."*

157. *<u>Second</u>, the GOC intervenes specifically in R&D costs through:*

- *"[D]irect government funding of research through the establishment of tech parks, research centers, and a series of mission-oriented programs."*[250] *In these tech parks, companies are often "exempted from property taxes and urban land use taxes."*[251]
- *"[T]argeted supporting fiscal and taxation policies."*[252] *These "tax incentives for innovation" take various forms:*[253]
  - *Tax bonuses for wages, bonuses and allowances of R&D personnel*
  - *Corporate tax rate cuts, such as (1) a 150 percent tax allowance against taxable profits on the level of R&D expenditure; and (2) a 100 percent tax allowance against taxable profits on donations to R&D foundations*

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249 *See, GOC, Robot Plan, **Annex E.2.1.27**.*
250 *Michael König and others, From imitation to innovation: Where is all that Chinese R&D going?, National Bureau of Economic Research Working Paper 27404, 2020, **Annex E.2.1.112**, p. 3.*
251 *Michael König and others, From imitation to innovation: Where is all that Chinese R&D going?, National Bureau of Economic Research Working Paper 27404, 2020, **Annex E.2.1.112**, p. 3.*
252 *China Report, **Annex E.2.1.1**.*
253 *Michael König and others, From imitation to innovation: Where is all that Chinese R&D going?, National Bureau of Economic Research Working Paper 27404, 2020, **Annex E.2.1.112**, p. 3; KPMG, China Tax Alert - Issue 7: 75% R&D super deduction extended, raised to 100% for manufacturers, May 2021, **Annex E.2.1.113**.*

- *Exemptions from import duties and VAT on items for R&D purposes*
- *R&D subsidies*

158. *These fiscal and taxation policies have significant impact on large players like the Chinese Robot Mower manufacturers.*

159. *For these reasons, the cost of R&D for Chinese Robot Mower manufacturers is distorted.*

g. Finance cost

160. *Robot Mower manufacturing is a cost-intensive industry and the cost of financing and access to credit are a significant cost factor. GOC interventions distort the finance cost for Chinese Robot Mower manufacturers. This occurs through a variety of instruments, such as preferential loans and credit lines, equity infusions, and grants.*[254]

161. *Financial institutions, which provide access to finance for the Chinese Robot Mower industry, implement GOC public policy objectives and otherwise do not act independently of the GOC.*

162. *Since the GOC influences and intervenes in all major aspects of the Chinese financial system, access to capital for corporate actors in China is subject to significant distortions.*[255] *These distortions include a strong GOC presence in the financial institutions and artificially low borrowing costs, which aim to stimulate investment growth in a way incomparable to market-based economies.*[256]

163. *First, the Chinese financial system, dominated by the banking sector, is characterized by the strong position of three categories of SOEs: large commercial banks, joint-stock commercial banks and GOC policy banks.*[257] *In general terms, the banking sector is heavily influenced by the GOC, not only through ownership, but also by the power given to the GOC as the main shareholder to appoint top management positions.*[258] *The CCP generally also controls boards of directors, with most of the seats being appointed to professionals connected to the GOC. Some banks, such as the large commercial bank Industrial and Commercial Bank of China, even require that*

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254 *See Section F.2 of the Application, which details all subsidies provided to Chinese Robot Mower manufacturers.*
255 *China Report,* ***Annex E.2.1.1****, p. 179.*
256 *China Report,* ***Annex E.2.1.1****, p. 179; See, by analogy, Regulation 2021/1812, recital 104.*
257 *China Report,* ***Annex E.2.1.1****, p. 139.*
258 *China Report,* ***Annex E.2.1.1****, p. 139.*

"the chairman of the board of directors of the Bank and the secretary of the Party Committee [are] the same person."[259]

164. *Because of GOC ownership and control, when granting access to finance, Chinese banks take into account criteria other than economic viability, as banks implement public policies of the GOC. This is in line with the relevant Chinese legal framework, which explicitly obliges Chinese financial institutions 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 GOC.*[260]

165. *Despite an (unsuccessful) attempt at transformation, the current Chinese financial system is still characterized by a widespread influence of the GOC, which prescribes policy objectives to the financial system.*[261] *For instance, the General Rules on Loans establish that interest on loans are subsidized to promote the growth of certain industries and economic areas as per GOC policies.*[262]

166. *Other Chinese legislative provisions provide binding rules for all economic institutions in the form of guidelines on the promotion and support of encouraged industries. For instance, Decision No. 40 provides that investment projects in encouraged industries benefit from financial support while projects in restricted and prohibited industries do not get loans from financial institutions.*[263] *The Chinese Robot Mower industry is explicitly designated as an encouraged industry, and thus benefits from significantly distorted access to financing.*

167. *Although various Chinese legal instruments refer to the need to respect normal banking behavior and prudential rules, like the requirement to examine the creditworthiness of the borrower, these provisions are not implemented effectively.*[264]

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259 *China Report,* ***Annex E.2.1.1****, p. 146.*
260 *China Report,* ***Annex E.2.1.1****, p. 149.*
261 *China Report,* ***Annex E.2.1.1****, p. 180.*
262 *China Report,* ***Annex E.2.1.1****, pp. 150-151.*
263 *China Report,* ***Annex E.2.1.1****, p. 151.*
264 *Chen Yunfeisi et. al., CBRC's New Supervisory Storm is Here – Implications for Foreign Banks in China, 13 April 2017,* ***Annex E.2.1.114****. See also, by analogy, e.g., recital 128 to Commission Implementing Regulation (EU) 2017/969 of 8 June 2017 imposing definitive countervailing duties on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China and amending Commission Implementing Regulation (EU) 2017/649 imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China; OJ L 146, 9.6.2017, p. 17.*

168. As noted,[265] Chinese banks own (part of) some Chinese Robot Mower producers.

169. Second, just like the Chinese banking sector, the Chinese bond market is dominated by GOC actors while the non-governmental bond market is to a large extent dominated by SOEs.[266] Access to the market is tightly regulated by GOC institutions, and all major players on the market (users, holders and underwriters of bonds) are mainly SOEs.[267] Bond and credit ratings are thus heavily distorted for multiple reasons, such as the influence of the company's strategic importance on risk assessment and the strength of any implicit guarantee by the GOC.

170. In this regard, Chinese credit ratings systematically correspond to lower international ratings,[268] which emphasizes how debt-ridden this GOC-owned sector is. Indeed, Chinese credit ratings usually do not provide a reliable estimation of the credit risk of the underlying asset and are often overrated. It is estimated that ~96% of Chinese bonds are rated 'AA' or better, and 38% are rated 'AAA' by local agencies.[269] For instance, Ecovacs is rated 'AA'[270] and SUMEC's credit rating is 'AAA.'[271] In contrast, less than 10% of U.S. firms enjoy such top ratings.[272] In 2024, only two companies in the U.S., i.e., Johnson & Johnson and Microsoft, were rated 'AAA.'[273]

171. For these reasons, the finance cost for Chinese Robot Mower producers is distorted.

h. Tax cost

172. The cost of tax is distorted in the PRC because of non-commercial factors.

173. The GOC adopted policies to reduce the tax cost for certain Chinese producers, including Robot Mower producers. As the TRA found,[274] these policies apply under the currently applicable FYP14, which provides that the GOC will "consolidate and expand the achievements of tax reduction and fee

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265 *See above, para. 40.*
266 *China Report,* ***Annex E.2.1.1****, p. 154.*
267 *China Report,* ***Annex E.2.1.1****, p. 153.*
268 *China Report,* ***Annex E.2.1.1****, p. 151.*
269 *China Report,* ***Annex E.2.1.1****, p. 157.*
270 *Ecovacs, 2022 Annual Report,* ***Annex E.2.1.15****, p. 165.*
271 *Sumec, 2023 Annual Report,* ***Annex E.2.1.13****, p. 25.*
272 *Livingston, M., Poon, W.P.H. and Zhou, L., Are Chinese Credit Ratings Relevant? A Study of the Chinese Bond Market and Credit Rating Industry, Journal of Banking & Finance, Volume 87, February 2018,* ***Annex E.2.1.115****, pp. 216-232.*
273 *Sean Williams, Meet the Only 2 Game-Changing Businesses With a Higher Credit Rating Than the U.S. Government, The Motley Fool, 24 October 2024,* ***Annex E.2.1.116.***
274 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 292.*

reduction" for companies."[275] *The impact of these distortions is significant, as taxation costs make up an important part of the cost of doing business outside of the PRC. The Applicant makes three points in this regard.*

174. *First, as the TRA found, the PRC has a range of tax incentives in place for the manufacturing industry,*[276] *including a reduced corporate income tax rate for enterprises "encouraged" by the GOC. For instance, "high-tech enterprises" in the PRC enjoy a 15% corporate income tax rate instead of the generally applicable rate of 25%.*[277] *Ecovacs's annual report confirms that it is designated as a high-tech enterprise and therefore, benefited from a tax cut.*[278]

175. *Second, certain industries, including the manufacturing industry, are eligible for VAT rebates. The standard rate for VAT in the PRC is 17% though this rate may be reduced to 13%.*[279] *For instance, for 2024, Ecovacs reported that it benefitted from tax and duty refunds for more than 520 million RMB, and for 2023, for more than 480 million RMB.*[280]

176. *For these reasons, the tax cost for Chinese Robot Mower producers is distorted.*

3.1.3. Conclusion

177. *In conclusion, GOC intervention and control distorts costs and prices throughout the Robot Mower industry in the PRC. Through state intervention and control, costs and prices are artificially low and reflect non-commercial factors, thereby creating a PMS affecting all key costs for Robot Mower producers.*

3.2. The PMS has a different effect on domestic and export prices

178. *The PMS in the PRC affects prices on the domestic market in the PRC in a different way than prices on the UK market.*[281]

179. *The Robot Mower market is concentrated almost entirely in the EU and, to a lesser extent, in the UK and the U.S., as these are high-income markets. In contrast, there is no material Chinese domestic market for Robot Mowers.*[282]

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275 *GOC, FYP14,* ***Annex E.2.1.7****, p. 21.*
276 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 293.*
277 *Acclime China, Corporate income tax (CIT) compliance in China, 2022,* ***Annex E.2.1.117****.*
278 *Ecovacs, Annual Report 2024,* ***Annex E.2.1.42****, p. 39.*
279 *VAT IT, Everything you need to know about China's VAT rebate policy, 2025,* ***Annex E.2.1.118****.*
280 *Ecovacs, Annual Report 2024,* ***Annex E.2.1.42****, p. 128.*
281 *See TRA,* Aluminium extrusions from China*, AD0012, Final determination, paras. 240-246.*
282 *See, e.g., PingWest, Like vacuum robot, China's robotic lawn mowers are the disruptor wannabes of the market, 20 November 2022,* ***Annex E.2.1.119****; China Daily, Lawns abroad mow-tivated by Chinese robots, 20 December 2024,* ***Annex E.2.1.120****; South China Morning*

Therefore, there is no reason for Chinese consumers to import Robot Mowers and Chinese Robot Mowers are almost 100% export oriented.

180. *As detailed above, Chinese Robot Mower producers benefit from artificially low, distorted costs for all cost areas.*[283] *In contrast, the Applicant in the UK pays much higher, undistorted costs. This cost advantage gives Chinese Robot Mower producers an unfair competitive advantage when selling Robot Mowers to the UK market, allowing Chinese Robot Mowers to undercut and undersell UK Robot Mower producers.*

181. *Chinese Robot Mowers would not have this competitive advantage if they would sell on the Chinese domestic market, because all Chinese Robot Mower producers benefit from the same unfair cost advantage. Absent the unfair cost advantage, prices on the domestic market in the PRC would be higher, leading to a higher normal value.*

182. *As a result, because of the PMS, a proper comparison between normal value and the export price is not possible.*

Post, China's robotic lawnmower industry sets its sights on EU amid bare domestic market, 9 September 2026, ***Annex E.2.1.121****.*

283 *See TRA,* Optical fibre cable from China*, AD0021, Statement of essential facts, paras. 306-308.*

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