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 rutile titanium dioxide ("**Rutile TiO2**") originating in the People's Republic of China ("**PRC**").*

2. *The normal value of Chinese Rutile TiO2 should be constructed using costs and prices from a third country based on Regulation 14(1)(b) of the D&S Regulations. 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 Rutile TiO2 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]*

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

4. *The TRA should construct the normal value of Chinese Rutile TiO2 using costs and profits in a third country,[4] because Regulation 14(1)(b) of the D&S Regulations applies to the PRC.*

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

6. *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,[5] 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:*

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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 14(3)(a) of the D&S Regulations.*
5 *Section 15(d) of the Accession Protocol, which was triggered 15 years after China's accession to the WTO in 2016.*

> *(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:*
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> > *(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)*

7. *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).*

8. *Under Regulation 14(1)(b), this means that the TRA can construct the normal value for Chinese Rutile TiO2 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."[6] The TRA can and should do 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.[7] Instead, costs and profits in a representative third country should be used.*

9. *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*

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[6] *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 Rutile TiO2 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 Rutile TiO2 producers in view of the distortions established above; and (4) there is no indication that the price of exports of Rutile TiO2 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.*

[7] *See **Section 3.1.1**.*

as for EU,[8] U.S.,[9] Canadian,[10] Indian,[11] and Turkish industries.[12] This is necessary to ensure that the UK market does not become a prime target for trade-diverted dumped goods from the PRC.

10. *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."[13]*

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

11. *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).*

12. *On that basis, sales of Rutile TiO2 in the PRC do not permit a proper comparison with Rutile TiO2 sold for export to the UK market.[14] The TRA should thus construct the normal value of Rutile TiO2 and, in doing so, the TRA should make adjustments for all distorted costs and profits.[15]*

3.1. Distortions caused by a PMS in the PRC

13. *All costs and prices in the PRC, both for inputs for Rutile TiO2 and for Rutile TiO2 itself, are distorted because of a PMS in the PRC. The PMS stems from artificially low prices and prices that reflect non-commercial factors.[16]*

14. *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*

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8 *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 ("**EU Significant Distortions Report**"), 2024, Annex E.2.1.01.*

9 *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."*

10 *See Section 20(1) of the Special Import Measures Act, read together with Section 17.1(a) of the Special Import Measures Regulations.*

11 *See Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, Annexure I.*

12 *See, e.g., F. Toksoy, E. Canbolat and E. Çelebi, The International Trade Law Review: Turkey, section Market economy status, 2022, Annex E.2.1.02.*

13 *See Department of Business and Trade, Policy paper: Strategic steer to the Trade Remedies Authority (TRA), 11 December 2025.*

14 *Regulation 7(2)(b) of the D&S Regulations.*

15 *Regulations 8(1)(a), 11, 12, and 13 of the D&S Regulations.*

16 *Regulation 7(4) of the D&S Regulations.*

existence of specific distortions affecting the Chinese Rutile TiO2 sector (Section 3.1.2).

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

15. *The PRC identifies itself as a socialist market economy. The socialist market economy is developed and implemented by the Chinese Communist Party ("**CCP**").[17] The CCP is constitutionally anchored as the sole leader of the GoC and the "highest force for political leadership."[18]*

16. *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."[19] 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.*

17. *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.[20] 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 the provision of loans at preferential rates, and government influence and control in the form of price setting exists in the energy sector."[21]*

18. *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*

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17 *CCP, Constitution, Annex E.2.1.03.*

18 *See, e.g., PRC, Constitution, Annex E.2.1.04, Article 1, para. 2; Communist Party of China, Constitution, Annex E.2.1.04, 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."*

19 *PRC, Constitution, Annex E.2.1.04, Article 6.*

20 *TRA,* Optical fibre cable from China*, AD0021, Statement of essential facts, paras. 116-122.*

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

*the GoC, rather than being allocated in line with market forces.[22] 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**").[23]*

19. *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.[24] FYP14 develops the PRC's strategic intentions and specifies GoC priorities regarding development and modernization in manufacturing:*

> *"To transform and upgrade traditional industries, we will improve the layout and adjust the structure of petrochemical, iron and steel, nonferrous metals, building materials, and other raw material industries, expand the supply of high-quality products in light and textile industries, expedite the transformation and upgrade of enterprises in chemical, papermaking, and other key industries, and improve the green manufacturing system. We will continue to implement special projects to enhance the core competitiveness and technological transformation of the manufacturing industry."[25]*

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

> *"[W]ill intensify efforts to ensure the supply of factors of production, provide efficient services, consolidate and expand the results of tax and fee cuts, reduce the production and operating costs of enterprises, and enhance the embeddedness and competitiveness of the manufacturing industry. We will work to increase the plot ratio and use efficiency of industrial land and promote new industrial land use models. We will increase medium- and long-term loans and lines of credit for manufacturing, increase loans for technological transformation, and make sure equity investment and bond financing*

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22 *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; 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.*

23 *William Kovacic, Competition policy and state-Owned owned enterprises in China, World Trade Review 16:4 16:4, 2017, Annex E.2.1.05, p. 705.*

24 *See 13th Five-Year Plan for Economic and Social Development of the PRC (2016-2020), Annex E.2.1.06, Chapter 22.*

25 *14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025), Annex E.2.1.07, p. 35.*

> *are more heavily weighted towards manufacturing. We will permit manufacturing enterprises to participate in market-oriented electricity transaction, regulate and reduce logistics charges in port shipping, road and railway transportation, and review and standardize charges related to enterprises."*[26]

21. *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 … Clearly support 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."*[27]

22. *The GoC also intervenes in the economy through guidelines of the CCP National Congress. The currently applicable guidelines stem from the 20th National Congress.*[28] *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."*[29]

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26 *14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025), Annex E.2.1.07, p. 36.*

27 *State Council of the PRC, Made in China 2025, 2015, Annex E.2.1.08, pp. 17 and 22.*

28 *The 20th National Congress took place in October 2022 and the election of the 20th Central Committee will serve until 2027.*

29 *See CCP, 20th National Congress report, 2023, Annex E.2.1.09.*

23. 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 …"*[30]

24. 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."[31] *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 …."*[32]

25. 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.[33] *For instance, Article 11 of the PRC's Constitution states that the CCP "guides" the development of the private sector.*[34] *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 ...."*[35]

26. 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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30 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 131.*
31 *EU Significant Distortions Report, 2024, Annex E.2.1.01, p. 15.*
32 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 201.*
33 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 188.*
34 *PRC, Constitution, Annex E.2.1.04, Article 7. See also CCP, Constitution, Annex E.2.1.03.*
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.2.1.10, p. 28.*

Communist Party of China [and] provide the necessary conditions for the activities of the party organization."[36] 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."[37]*

27. *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."[38]*

28. *It follows that prices in the Chinese economy, including in the Rutile TiO2 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 Rutile TiO2 sector

3.1.2.1. The Chinese Rutile TiO2 sector as a whole

29. *The GoC intervenes heavily in, and distorts, the entire chain of costs and prices in the Chinese Rutile TiO2 sector. These distortions are exacerbated by the fact that the GoC considers the Rutile TiO2 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.*

30. *As explained,[39] GoC centralized planning directs resources toward sectors the GoC deems strategic or otherwise politically important, rather than allowing market forces to determine their allocation.*

31. *The Rutile TiO2 sector is deemed strategic and, as a result, Rutile TiO2 producers in the PRC function primarily as vehicles for implementing government policy.*

32. *Rutile TiO2 is linked to strategic industries at the core of GoC ambitions in aviation (titanium metal), clean energy (lithium iron phosphate batteries for electric vehicles), and food-security (phosphate fertilizers). Rutile TiO2 is also*

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36 *Company Law of the PRC, Annex E.2.1.11, Article 19.*

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

38 *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.*

39 *See* ***Section 3.1.1****.*

of strategic importance for the GoC because it underpins several high-priority industrial value chains.[40]

33. *The production of Rutile TiO2 using the chloride method further aligns with the GoC strategy to address excess chlorine and caustic soda output.*[41] *For that reason, following FYP14, the Chinese Rutile TiO2 industry has been forced to accelerate the production of Rutile TiO2 through the chloride method and to find export opportunities to sell their products. For instance, the 2024 Shanghai International Titanium Dioxide Exhibition website stated as policy objectives:*

> *"'Breakthrough' the chloride method and optimize the product structure to enter the international market…*
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> *Coexistence of two production processes and optimization…*
>
> *Emphasis on "greening" the sulphate method and push on the chloride method development…*
>
> *Encouragement of export opportunities."*[42]

34. *In the same vein, the GoC Guiding Opinion on Promoting the High-quality Development of the Petrochemical and Chemical Industry implementing the FYP14 ("**FYP14 Guiding Opinion**") emphasises the need to:*

> *"[A]ccelerate the transformation and upgrading of traditional industries, and vigorously develop new chemical materials and fine chemicals. Accelerate the digital transformation of the industry … and promote China's progress from a large petrochemical and chemical country to a strong petrochemical and chemical country … By 2025, the petrochemical and chemical industry will basically form a high-quality development pattern with strong independent innovation capability, reasonable structural layout, green, safe and low-carbon, high-end product guarantee capabilities ..."*[43]

35. *GoC planning in the domestic Rutile TiO2 sector is also pursued at a regional or provincial level, stemming from the mentioned overarching national policy. This is evidenced by specific and targeted policies such as the provincial-level implementation of FYP14 through the Henan Province's Action Plan (2022-2025) to accelerate the restructuration and leadership of the materials industry, which sets the following goals for titanium-based new materials:*

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40 *See Section F.2 of the Application for more detail.*
41 *See Section (C).*
42 *Shanghai International Titanium Dioxide Exhibition, 2024, Annex E.2.1.12.*
43 *Ministry of Industry and Information Technology of the PRC, Guiding opinion on promoting the high-quality development of the petrochemical and chemical industry, 2022, Annex E.2.1.13.*

> *"Vigorously develop high-grade titanium sponge … accelerate the localization of high-quality titanium chloride dioxide raw materials and the research and development of high-performance green new titanium dioxide, establish a new system for the green comprehensive extraction of titanium, zirconium, vanadium, scandium resources, and promote the development of titanium industry clusters in Jiaozuo, Luoyang and other places."*[44]

36. *Similarly, the Decision of the Sichuan Provincial Committee of the Communist Party of China on promoting the high-quality development of green and low-carbon advantageous industries with the goal of achieving carbon peak and carbon neutrality sets objectives relating to the Rutile TiO2 sector:*

> *"Deepen the comprehensive development and utilization of vanadium and titanium resources … strengthen the titanium industry, create a world-class vanadium and titanium industry base, and build Panzhihua as the "Vanadium and Titanium Capital of China" … Implement the project to strengthen and extend the chain of the vanadium and titanium industry and accelerate the development of high-end vanadium and titanium products …"*[45]

37. *The impact of these economic plans on Chinese companies' actions is self-evident both within SOEs and privately owned companies in the Chinese Rutile TiO2 sector.*

38. *First, the Chinese Rutile TiO2 market is being served to a significant extent by companies that operate under the ownership of the GoC. A first example is Pangang Group ("**Pangang**"), which is active in the production, processing, and sale of titanium products, including Rutile TiO2. Pangang merged with Anshan Iron and Steel Group Corporation to form Ansteel Group ("**Ansteel**"), a major Chinese SOE:*

> *"Pangang Group Co., Ltd. is the largest vanadium manufacturer in the world, the largest titanium raw material and important titanium dioxide production base in China. In 2011, Ansteel Group Corporation ranked among Fortune 500 Largest Global Corporations. As one of the state-owned large-sized enterprises, Ansteel now has 7 production bases with special characteristics in northeast, southwest, north China, southeast and south China, masters rich iron ore resources in Liaoning and Sichuan, China and Karara, Australia. … Ansteel Group Corporation has become the largest rail and ship plate manufacturer in China, the largest vanadium producer in the world and the largest*

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44 *General Office of the People's Government of Henan Province, Henan Province's Action Plan (2022-2025), Annex E.2.1.14.*

45 *Sichuan Provincial Committee of the CCP, Decision on promoting the high-quality development of green and low-carbon advantageous industries, 2021, Annex E.2.1.15.*

> *titanium raw material and important titanium dioxide production base in China."*[46]

39. *Illustrating how Pangang implements GoC policy, Pangang stated:*

> *"Facing the future, Pangang Vanadium and Titanium Co., Ltd. will continue to focus on national strategies … and accelerate the construction of a world-class specialized new enterprise … to serve as the basis for China's vanadium and titanium industry and make greater contributions to high- quality development."*[47]

40. *A second example is China National Nuclear Corporation ("**CNNC**"). CNNC is a centrally managed SOE approved by the State Council of China.*[48] *It produces and markets Rutile TiO2 through its stake in CNNC Huan Yuan Titanium Dioxide ("**CHTi**").* [49]

41. *A third example is China National BlueStar Group ("**BlueStar**"), which is another large-scale company with a share in Rutile TiO2 production. It is part of Sinochem Holdings ("**Sinochem**")*,[50] *a large SOE:*

> *"The China National Bluestar (Group) Co, Ltd is a strategic business unit under Sinochem Holdings Corporation Ltd. and a world leading company specializing in chemical materials and specialty chemicals."*[51]

> *"Sinochem Holdings Corporation Ltd. (Sinochem Holdings) was established through the joint restructuring of Sinochem Group Co., Ltd. and China National Chemical Corporation Ltd. on May 8, 2021. Sinochem Holdings is one of the leading state-owned enterprises under the supervision of the SASAC (State-owned Assets Supervision and Administration Commission of the State Council). It boasts over 220.000 employees."*[52]

42. *A fourth example is Shandong Jinhai Titanium Industry Resources Technology ("**Shandong Jinhai**"), which is a producer of Rutile TiO2 and an SOE.*[53] *In turn, Shandong Jinhai is part of Shandong Lubei Enterprise Group Corporation ("**Lubei**"), a large state-owned group.*

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46 *Ansteel, Company profile, Annex E.2.1.16.*
47 *People's Government of Panzhihua, Innovation-driven development path of specialized, refined, distinctive and innovative industries, 2023, Annex E.2.1.17.*
48 *CNNC, Profile, Annex E.2.1.18.*
49 *CNNC, Profile, Annex E.2.1.18.*
50 *See BlueStar, Business structure, Annex E.2.1.19.*
51 *BlueStar, Overview, Annex E.2.1.20.*
52 *Sinochem, Profile summary, Annex E.2.1.21.*
53 *Shandong Jinhai, Company profile, Annex E.2.1.22.*

43. A fifth example is Nanjing Titanium Dioxide Chemical, which is a large SOE. It indicated on its website that the employees were invited to watch the above-mentioned 20th National Congress of the CCP and stated that:

> *"[The company] will conscientiously implement the spirit of the 20th National Congress of the Communist Party of China, quickly set off an upsurge of learning the spirit of the 20th National Congress throughout the company, deeply understand the essence, strengthen political leadership, lay a solid ideological foundation for the company's various tasks, and innovate for the group Development brings together majestic forces."*[54]

*44. State planning interference into business decisions is also evidenced by the influence of the CCP within privately-owned organisations, like Lomon Billions ("**LB**") Group, the largest Chinese TiO2 producer:*

> *"Lomon Billions always adheres to the unchanged organization, publicity, and discipline inspection pattern of the party's work institutions in the enterprise. The party organization guarantees the supervision of the party and the country's policies and major deployments."*[55]

45. Similarly, CHTi, a mixed-ownership company (partially owned by CNNC), mentions in its publicly available annual report for 2023 that it aligns with the "overarching requirement of centering Party building around development and leveraging Party building to drive development," and that it "positioned Party building as the 'red engine' and 'internal driving force' for corporate growth."[56]

46. There are also many overlaps between managerial positions in privately-owned organisations and CCP affiliations. For instance, several members of the board of directors and supervisory board of LB Group are CCP members and hold positions in the secretariat of the Party Committee.[57] *The late Mr. Xu Gang, the founder and honorary chairman of LB Group, was a member of the CCP.*[58] *As reported in the 2021 annual report of LB Group, Mr. Haito Zhang was the Secretary of the Board, Vice Chairman, and Chief HR and Administration Officer of LB Group, while being a "member of the Communist*

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54 *GPRO, The company's Party committee organized to watch the report of General Secretary Xi Jinping's 20th National Congress, 2022, Annex E.2.1.23.*

55 *LB Group, Party building leads the enterprise to set sail, 2019, Annex E.2.1.24.*

56 *CHTi, Annual report, 2023, Annex E.2.1.25, p. 21.*

57 *See Commission Implementing Regulation (EU) 2024/1923 of 10 July 2024 imposing a provisional anti-dumping duty on imports of titanium dioxide originating in the People's Republic of China, recitals 149-150.*

58 *LB Group, Obituary: Mr Xu Gang – Founder and Honorary Chairman of LB Group, 2024, Annex E.2.1.26.*

Party of China."[59] Against this background, it is reported on LB Group's website that:

> *"The role of enterprise implementation remains unchanged, the principle that the [Chinese Communist]Party manages cadres and the Party manages talents remains unchanged, and the practice of 'building branches wherever there are party members' remains unchanged, so that the enterprise's party building always maintains strong combat effectiveness."[60]*
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> *"[P]arty building leads the way and enterprises set sail. In recent years, the Party Committee of Lomon Billions Group Co., Ltd. has continued to innovate the party-building work model, continuously improved the party-building cultural position, and actively explored the deep integration of party- building work with the central work of the enterprise, stimulating vitality and adding impetus to the high-quality development of the enterprise. Xu Gang, Secretary of the Party Committee and Chairman of Lomon Billions, concluded: "Lomon Billions always adheres to the unchanged organization, publicity, and discipline inspection pattern of the party's work institutions in the enterprise. The party organization guarantees the supervision of the party and the country's policies and major deployments … Lomon Billions Party Committee has explored a good practice of deeply integrating non-public party building with enterprise central work: insisting on full coverage of party organizations and party work, vertical in-depth and horizontal expansion …"[61]*

47. *In the same vein, in its 2023 annual report, CHTi mentions that all the members of its board of supervisors and some members of its board of directors are "member[s] of the Communist party of China."[62]*

48. *It follows that the Chinese Rutile TiO2 sector as a whole is subject to state planning and influence that allows the GoC to control, coordinate and supervise the commercial strategy of companies involved in the production of Rutile TiO2. The impact of the GoC policy guidance and supervision results in the price of Rutile TiO2 reflecting non-commercial factors and constitutes a PMS in the Chinese Rutile TiO2 sector.*

3.1.2.2. Raw material costs

49. *As detailed in the Application, Rutile TiO2 can be produced using the chloride or the sulphate method. Chinese Rutile TiO2 producers use both methods. The two methods require different raw materials and, consequently, the*

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59 *LB Group, Annual report, 2021, Annex E.2.1.27.*
60 *LB Group, Party building leads the enterprise to set sail, 2019, Annex E.2.1.24.*
61 *LB Group, Party building leads the enterprise to set sail, 2019, Annex E.2.1.24.*
62 *CHTi, Annual report, 2023, Annex E.2.1.25, p. 59.*

overall cost structure of Rutile TiO2 differs depending on the production method. Below, the Applicant details distortions in the PRC that result from GoC control and intervention and that affect the costs of key raw materials used in the chloride and/or the sulphate method.

50. *As certain Chinese Rutile TiO2 producers may use still different raw materials, the Applicant reserves its rights to supplement this section if the cost structure of the sampled Chinese Rutile TiO2 producers were to contain still other material raw materials.*

(A) Titanium feedstocks

51. *The term 'titanium feedstocks' covers a range of titanium resources that can be used to produce Rutile TiO2. Specifically, Rutile TiO2 is normally produced from:*

- *Naturally occurring titanium-bearing mineral ores, primarily ilmenite and rutile. [Sensitive information removed – Copyrighted material].*[63]
- *Manufactured titanium feedstock (synthetic rutile, titanium, or chloride process slag). [Sensitive information removed – Copyrighted material].*[64] *The distortions affecting ilmenite thus also apply to manufactured titanium feedstocks.*

52. *As a result of GoC control and intervention, titanium feedstock prices in the PRC are distorted – that is, they are significantly lower than those in representative international markets. In this section, the Applicant details these distortions by focusing on ilmenite, because (a) the PRC is the largest ilmenite producer in the world;*[65] *(b) ilmenite is the primary ore used by Chinese Rutile TiO2 producers;*[66] *and (c) ilmenite represents around one third of the total cost of production of Rutile TiO2 in the PRC.*[67]

53. *The titanium feedstocks sector is subject to important GoC influence and control, which ultimately results in substantial support in a variety of forms. For instance, at the national level, the titanium sector is designated as strategic in the context of FYP14 and other plans implementing FYP14, which results in extensive GoC intervention and oversight across the entire titanium*

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63 *[Sensitive in its entirety – Data from a market intelligence provider], Annex E.2.1.28, p. 95.*

64 *[Sensitive in its entirety – Data from a market intelligence provider], Annex E.2.1.28, p. 95.*

65 *U.S. Department of the Interior, U.S. Geological Survey, Mineral commodity summaries, 2024, Annex E.2.1.29, p. 189.*

66 *The PRC does not have rutile reserves. Rutile is thus largely imported. That said, distortions affecting Rutile TiO2 processing, such as those detailed in* ***Sections 3.1.2.2(B)*** *to* ***3.1.2.9*** *below also distort the cost of rutile processing. See Guosen Securities, Securities research report, 2023, Annex E.2.1.30, p. 1. See also U.S. Department of the Interior, U.S. Geological Survey, Mineral commodity summaries, 2024, Annex E.2.1.29, p. 189.*

67 *See Regulation (EU) 2024/1923, recital 383.*

value chain.[68] For instance, Yunnan Province, which is one of the provinces that is most rich in titanium placer resources (which are deposits of sand or gravel that are rich in titanium),[69] implemented FYP14 by adopting the Chuxiong 14th FYP on new materials and advanced manufacturing development. That plan recognizes the strategic importance of the titanium industry as a whole, and emphasizes the development of the titanium feedstocks industry in particular:

> *"Relying on the resources, technology and market advantages of large enterprises such as Longbai and Kunming Iron and Steel, we will accelerate the construction of Longbai Group's new titanium industry and Yunnan Titanium Industry-related projects, strengthen investment promotion, introduce downstream enterprises in the titanium industry chain to develop, and focus on building titanium industry …*
>
> *[C]reate a whole industrial chain. Accelerate the construction of the titanium metallurgical industry chain of 'ilmenite – titanium concentrate – high titanium slag – sponge titanium (titanium dioxide) – titanium profiles (titanium alloy or coating)', and the 'high titanium slag – titanium dioxide – coating – plastic' titanium chemical industry industrial chain, accelerate the development of high-end chloride titanium dioxide, and expand titanium dioxide production capacity and technical advantages …".[70]*

54. *The distortions in the Chinese titanium feedstocks sector result from several types of GoC interference, such as export restrictions and cross-subsidization from iron ore mining. The Applicant makes four points in this regard.*

55. *First, the GoC effectively imposes an export tax on titanium-bearing ores by prohibiting export value added tax ("**VAT**") refunds. From 2009 to 2018, an export tax of 10% was applicable on exports from the PRC of titanium ores and concentrates.[71] This tax has now been replaced by the prevention of export VAT refunds on exports of titanium-bearing ores, such as ilmenite.*

56. *As the OECD explains, preventing export VAT refunds is an export restriction because such prohibitions essentially operate as an export tax:*

> *"Most countries with a VAT system will rebate the VAT on exports. By denying VAT reimbursement in whole or part, it is relatively less advantageous to export a product than to sell it domestically. This measure is usually used to encourage downstream production of products produced locally that use the raw material input. A variant is*

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68 *See Section 3.1.2.1.*
69 *See Shanghai Metal Market, The rise of Yunnan's titanium industry comes at the right time, 2025, Annex E.2.1.31.*
70 *Regulation (EU) 2024/1923, recital 167.*
71 *OECD, Trade in raw materials, China, 2018, Annex E.2.1.32.*

> *the removal or reduction of rebate from other sales taxes on exports of a product."*[72]

57. *Exports of titanium-bearing ores do not benefit from a VAT export refund.*[73] *By preventing VAT refunds upon exportation, the GoC encourages domestic sales of titanium-bearing ores as exports are disincentivised.*

58. *Second, the GoC cross-subsidizes titanium feedstock production in the PRC via subsidies to iron ore mining.*

59. *In most countries, ilmenite is recovered from heavy mineral sands extracted from beach sand mines. These sands are separated and concentrated to obtain ilmenite. The PRC is unique in producing significant quantities of ilmenite as a co-product of iron ore mining. This method, known as hard rock mining, is far more costly than beach sand mining. Chinese producers can mine ilmenite using hard rock mining only because iron ore mining is heavily subsidised in the PRC. Subsidies for iron ore not only support that sector but thus also subsidise the Chinese Rutile TiO2 industry.*

60. *The linkage between iron ore and titanium feedstock in the PRC is demonstrated by large, integrated SOEs that operate across the iron, steel, and titanium sectors. These SOEs act as instruments for implementing GoC economic policies and benefit from significant state support.*[74] *The iron and steel industries receive particularly substantial subsidies that reflect the PRC's long-term strategic objectives. Their extensive subsidisation stems from the GoC deliberate policy to actively promote domestic iron ore mining, as part of a strategy to maximize the PRC's resource security.*[75] *As the TRA put it:*

> *"The PRC is the world's largest steel producer … Distortions in the Chinese steel market are well known … 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."*[76]

61. *Regarding Chinese iron ore prices, the TRA stated that:*

> *"[T]he average price of iron ore sourced from the PRC was significantly lower than the average price of iron ore sourced from international*

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72 *OECD, Methodological note to the inventory of export restrictions on industrial raw materials, 2022, Annex E.2.1.33, p. 6.*
73 *State Taxation Administration of the PRC, Export tax refund rate, Annex E.2.1.34.*
74 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 221.*
75 *See Lowy Institute, Chinese coercion, Australian resilience, 2022, Annex E.2.1.35.*
76 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 219 (emphasis added).*

> *markets, indicating that the price of domestically sourced iron ore could be distorted by non-commercial factors."*[77]

62. *These findings confirm that the Chinese iron ore and steel sectors benefit from significant GoC financial and other support and operate based on other non-commercial factors. Such distortions make iron ore mining artificially economical for Chinese companies, which in turn enables the production of ilmenite as a co-product at distortedly low prices. Without these subsidies, Chinese Rutile TiO2 producers would face global competition for ilmenite mined using beach sand mining, as hard rock mining would not be a financially viable option.*

63. *A prime example of PRC cross-subsidisation of iron ore and ilmenite is Ansteel. As noted,*[78] *Ansteel is a Chinese state owned steel producer under the control of the State-owned Assets Supervision and Administration Commission of the State Council.*[79] *It is an integrated enterprise engaged in iron ore mining, steel production, and the production, processing, and sale of titanium products, including Rutile TiO2.*[80] *Ansteel controls at the same time 30 billion MT of iron ore resources and 95% of the PRC's titanium reserves.*[81] *This means it owns the PRC's largest titanium raw material production base:*

> *"[I]mplements the 'Dual-Core' strategy of 'steel + mining' with nine production bases in northeast, southwest, southeast, and south China that produce … 500,000 tons of titanium products. … Ansteel is … China's largest titanium raw material production base."*[82]

64. *<u>Third</u>, to aggravate the distortions caused by cross-subsidisation, the GoC directly subsidises the production of titanium-bearing ores in the PRC. Publicly available evidence confirms that LB Group received an important number of government subsidies, including subsidies specific to its titanium-bearing ore mining activities. For instance, LB Group reported receiving:* [83]

- *"Subsidy for road renovation project of the section from Yanhong Road in Xinjiu Mining Area to Lomons Mining Area" of 284,520 RMB.*
- *"Government grant for comprehensive use of mineral resources" of 4,013,093 RMB.*

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77 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 101.*
78 *See* ***Section 3.1.2****.*
79 *Ansteel, Company profile, Annex E.2.1.16.*
80 *Ansteel, Company profile, Annex E.2.1.16.*
81 *See World Economic Forum, Ansteel, Annex E.2.1.36. See also, Ansteel, Development Strategy, Annex E.2.1.37.*
82 *Ansteel, Company profile, Annex E.2.1.16.*
83 *LB Group, Annual report, 2023, Annex E.2.1.38, pp. 390-404.*

- *"Key technology and industrial development for titanium slag smelting in large and direct current electric-arc furnace" of 146,667 RMB.*
- *"Letter from Sichuan Provincial Department of Finance and Sichuan Provincial Department of Land and Resources on distribution of central government subsidy of 2013 for construction of demonstration base for conservation and comprehensive use of vanadium-titanium magnetite resources in Panzhihua" of 1,700,250 RMB.*
- *"Government grants granted under the Notice of the Provincial Department of Finance on Announcing the Central Mineral Resource Conservation and Comprehensive Utilization Demonstration Projects in 2010 and Reward Budget Therefor" of 250,000 RMB.*

65. *Fourth, the GoC ensures that production of titanium-bearing ores remains concentrated in a handful of Chinese companies through its direct control and strategic support of major SOEs and influential private organisations. These entities not only dominate domestic titanium-bearing ore mining but are, in many cases, also vertically integrated producers of Rutile TiO2.*

66. *Specifically, the bulk of production of titanium-bearing ores in the PRC is allocated to LB Group, Pangang/Ansteel, and Chongqing Iron and Steel Xichang.[84] The GoC influences and controls these companies, which are allowed to own and operate a substantial share of domestic ilmenite mines because of their close ties to the GoC. For instance, LB Group owns an ilmenite mine in Panzhihua, Sichuan Province,[85] but publicly available evidence shows that LB Group is also involved in or operates large titanium ore mining projects in cooperation with GoC entities:*

- *In December 2019, LB Group signed a cooperation framework agreement with Jinchuan Group, a large SOE that specialises in large-scale mining in the PRC. Pursuant to the agreement, it will "help Lomon Billions meet its development strategy and further improve its core competitiveness and profitability."[86]*
- *In July 2020, LB Group signed a five-year strategic framework agreement with the Panzhihua Government to develop and process the region's vanadium-titanium magnetite resources. Under this agreement, LB invested by 2025 14 billion RMB in a large-scale development project to help transform vanadium-titanium magnetite mining technology and expand mining operations in Panzhihua City. LB*

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84 *Guosen Securities, Securities research report, 2023, Annex E.2.1.30, pp. 14-15.*
85 *LB Group, Key facts, Annex E.2.1.39.*
86 *LB Group, Lomon Billions signs co-operation framework agreement with Jinchuan Group, 2020, Annex E.2.1.40.*

emphasized that "the investment is consistent with the company's strategic plans to grow its business and strengthen its competitiveness through vertical and horizontal integration."[87]

- *In August 2024, LB Group signed a strategic cooperation framework agreement with Sichuan Resources Group, which is an SOE directly under the Sichuan Provincial Department of Natural Resources.*[88] *Prior to this agreement, in November 2023, unsurprisingly, a subsidiary of Sichuan Resources Group won the mining rights for the Hongge south mine in Yanbian county, in the Sichuan province, which is a vanadium-titanium magnetite deposit with abundant resources.*[89] *LB Group had already obtained mining rights for the Hongge north mine and the Miaozigou iron mine.*[90]

67. *The handful of Chinese companies that control production of titanium-bearing ores in China not only use these titanium feedstocks to produce Rutile TiO2 but also have pricing power for the entire Rutile TiO2 industry. That is because the volume of ilmenite available for market circulation is limited,*[91] *so that the handful of Chinese companies "control the circulation of titanium concentrate in the market … and indirectly control the price."*[92]

68. *In sum, the GoC directs and controls the titanium feedstock sector, resulting in distortions to the cost of titanium feedstocks in the PRC.*

(B) Sulphuric acid

69. *Sulphuric acid is a key process chemical for producing Rutile TiO2 using the sulphate method.*

70. *As a result of GoC intervention, the cost of sulphuric acid used to produce Rutile TiO2 is distorted in the PRC. Specifically, the sulphuric acid sector in the PRC is subject to important GoC influence and control, which ultimately results in substantial GoC influence and support in a variety of forms. The Applicant makes three points in this regard.*

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87 *LB Group, Lomon Billions signs strategic framework agreement with Panzhihua Government and plans to invest 14 billion RMB (USD 2 billion) in mining operations in Panzhihua City, 2020, Annex E.2.1.41.*

88 *ETiO2, Two major China's titanium dioxide manufacturers hoarding mines, 2024, Annex E.2.1.42.*

89 *Asian Metal, LB Group partners with Sichuan Resource Group to advance V-Ti industry, Annex E.2.1.43.*

90 *ETiO2, Two major China's titanium dioxide manufacturers hoarding mines, 2024, Annex E.2.1.42.*

91 *Vzkoo, Analysis of titanium resource reserves, Annex E.2.1.44, p. 3.*

92 *Vzkoo, Analysis of titanium resource reserves, Annex E.2.1.44, p. 3.*

71. First, the GoC made the production and use of sulphuric acid a political and economic objective.

72. At the outset, it should be mentioned that Rutile TiO2 production using the sulphate method generates valuable by-products, such as ferrous sulphate used to produce key chemicals for lithium-iron-phosphate batteries. The sulphate method production also generates waste sulfuric acid, which Chinese companies use to produce phosphate-based fertilisers.

73. The Chinese chemical industry as a whole is designated as strategic by the GoC. For instance, the FYP14 on Economic and Social Development and 2035 Perspectives provides that the GoC intends to "accelerate the transformation and upgrading of key industries such as chemicals."[93] In addition, the FYP14 Guiding Opinion states that the GoC will:

> *"[A]ccelerate the transformation and upgrading of traditional industries … foster China's transition from a large petrochemical and chemical country into a strong petrochemical and chemical power … By 2025, … [t]he capacity utilization rate will reach more than 80 %."[94]*

74. The importance of sulphuric acid for the GoC is also illustrated by various FYP14 implementations in specific downstream industries, like Rutile TiO2. For instance, in the context of the 2024 Shanghai International Titanium Dioxide Exhibition and in accordance with FYP14, the Chinese TiO2 industry underscored the importance of sulphuric acid, so that the GoC should focus on optimisation and upgrading of the sulphate method, including optimisation of the product structure of sulphuric acid.[95]

75. The GoC also distorts the sulphuric acid sector at the provincial level. For instance, the Chuxiong FYP14 lists the following objectives regarding the chemical industry and sulphuric acid in particular:

> *"[T]he chemical industry chain and the titanium metallurgical industry chain will create a whole industry chain, improve the sustainable development capabilities, core competitiveness and market share of the titanium industry, … integrate, transform, and upgrade high-titanium slag and sulfuric acid titanium dioxide production technology and equipment, and optimize regional layout."[96]*

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93 *See Commission Implementing Regulation (EU) 2025/1288 of 27 June 2025 imposing a provisional anti-dumping duty on imports of choline chloride originating in the People's Republic of China, recitals 60-61.*

94 *See Regulation (EU) 2025/1288, recitals 60-61.*

95 *Shanghai International Titanium Dioxide Exhibition, 2024, Annex E.2.1.12.*

96 *See Regulation (EU) 2024/1923, recital 167 (emphasis added).*

76. Similarly, the Jiangsu Province Chemical Plan FYP14 specifies the GoC's goals for intermediates for dye pigments, which includes sulphuric acid:

> *"[B]y the end of the '14th Five Years Plan', the industrial structure of dye pigments and their intermediates shall be significantly optimized … We shall strive to increase the total output value of the ink industry to RMB 8 billion, the superior production capacity shall be included into the development and integration of chemical parks (concentration areas)."*[97]

Under this plan, Jiangsu Binhai Economic Development Zone and industries in Yancheng must develop sulphuric acid.[98]

77. Second, the GoC intervenes in the production cost and price of sulphuric acid in the PRC through its control over SOEs. To a significant extent, sulphuric acid is produced by SOEs, which, as the TRA found, function primarily as vehicles for implementing GoC policy.[99]

78. A prime example is SinoChem, which is a large SOE in the chemical sector. SinoChem produces sulphuric acid and is the parent company of BlueChina, a Rutile TiO2 producer.[100] *Other examples are China National Petroleum Corporation ("**CNPC**"), a major SOE in the sulphuric acid market,*[101] *and China Baowu Steel Group, a large SOE that also produces sulphuric acid.*[102] *Moreover, Sinochem and CNPC are members of China Petroleum and Chemical Industry Federation ("**CPCIF**"), the industry national association covering chemicals in the PRC.*[103] *The CPCIF adheres to the overall leadership of the CCP and carries out CCP activities.*[104]

79. Third, the GoC directly subsidises sulphuric acid production in light of its designation as a chemical of strategic importance. Specifically, the GoC "subsidises carbothermal reduction of gypsum to produce sulfuric acid directly in integrated industrial eco-parks with co-located acid-using industries," at a large environmental cost.[105] *On that basis, privately-owned companies in the Rutile TiO2 sector that produce acid from sulphur, [Sensitive information*

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97 *Jiangsu Province, 14th Five-Year Plan for the Chemical Industry in Jiangsu Province, 2021, Annex E.2.1.45. See also Regulation (EU) 2024/1923, recitals 161-163.*
98 *See Regulation (EU) 2024/1923, recitals 161-163.*
99 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 221.*
100 *BlueStar, Overview, Annex E.2.1.20. See also Sinochem, Profile summary, Annex E.2.1.21.*
101 *Camal Trade & Investment, A Guide to China's top manufacturers, 2025, Annex E.2.1.46.*
102 *Research and Markets, Sulfuric acid market in China, 2025, Annex E.2.1.47.*
103 *China Petroleum and Chemical Industry Federation, Members, Annex E.2.1.48.*
104 *China Petroleum and Chemical Industry Federation, Constitution, Annex E.2.1.49.*
105 *The Geographical Journal, Sulfur: a potential resource crisis that could stifle green technology and threaten food security as the world decarbonizes, 2022, Annex E.2.1.50, p. 501.*

removed – Copyrighted material], are also subsidised.[106] LB Group received subsidies specific or related to its sulphuric acid production, such as:[107]

- *"Waste sulfuric acid tertiary concentration unit technical modification project" grant of 209,000 RMB.*
- *"Technology development and industrialization innovation development related to recovery and utilization of sulfuric acid titanium dioxide acid slag" grant of 160,000 RMB.*

80. *In sum, the GoC directs and controls the sulphuric acid sector, resulting in distortions to the cost of sulphuric acid in the PRC.*

(C) Chlorine and caustic soda

81. *In the chloride method for producing Rutile TiO2, chlorine is a key process chemical. Chlorine is an inevitable chemical by-product of caustic soda production through the chlor-alkali method, which involves the electrolytic decomposition of salt. Caustic soda is sometimes also used to produce Rutile TiO2.[108]*

82. *As a result of GoC intervention, the cost of chlorine and caustic soda used in the production of Rutile TiO2 in the PRC is significantly distorted.*

83. *Driven by GoC intervention in the chemical industry, production of caustic soda in the PRC is at very high levels. The FYP14 on Developing the Raw Materials Industry lists the main objectives for the entire raw material industry and contains measures specifically targeting the production capacity of caustic soda. It provides for "[s]trict control [of] the production capacity [of] … caustic soda,"[109] highlighting how the GoC directs production.*

84. *According to Chinese National Bureau of Statistics data,[110] the PRC produced 43.7 million MT of caustic soda in 2024, which is more than half of global production).[111] This production is much higher than Chinese consumption, which stands at 31 million MT, resulting in state-driven overproduction and thus distortions of price.[112]*

85. *Under the chlor-alkali method, caustic soda and chlorine are necessarily produced in fixed proportions. Thus, by producing 43.7 million MT of caustic soda, the PRC produced almost equivalent volumes of chlorine.[113] However,*

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106 *[Sensitive in its entirety – Data from a market intelligence provider], Annex E.2.1.28, p. 92.*
107 *LB Group, Annual report, 2023, Annex E.2.1.38, pp. 390-394.*
108 *See Regulation (EU) 2024/1923, recital 224.*
109 *14th Five-Year Plan on Developing the Raw Materials Industry, 2021, Annex E.2.1.51, p. 26.*
110 *Chinese National Bureau of Statistics, Caustic soda production, 2024, Annex E.2.1.52.*
111 *ChemAnalyst, Caustic soda market analysis, 2025, Annex E.2.1.53.*
112 *Istay Kimya, Global caustic soda market outlook 2025–2030, 2025, Annex E.2.1.54, p. 13.*
113 *Istay Kimya, Global caustic soda market outlook 2025–2030, 2025, Annex E.2.1.54, p. 3.*

market demand for chlorine is much lower, which led to significant oversupply of chlorine (and of caustic soda) in the PRC. In response, the GoC actively directed companies to utilise excess chlorine by promoting downstream use.[114] This explains why GoC policy supervision and guidance is ubiquitous in the chlorine industry. The Applicant makes two points in this regard.

86. *First, following FYP14, at the provincial level, Chinese chlorine producers are directed to expand into downstream segments as part of a broader industrial policy. A clear example is provided by the FYP14 Jiangsu Chemical Plan, which sets ambitious objectives for the chemical industry, including the expansion of the chlorine industry chain:*

> *"[T]otal quantity control, quality and efficiency improvement, optimization of configuration … Adopt advanced energy saving and emission reduction technologies to transform and upgrade industries and enterprises … [P]romote the downstream industries of chlorine and hydrogen to develop towards high-end, functional and refined direction. Extend and expand the regional chlorine industry chain …"[115]*

87. *In addition, the FYP14 of Shandong Province for the development of the chemical industry explicitly instructs local authorities to guide the traditional chlor-alkali downstream industry.[116]*

88. *Second, the implementation of FYP14 by specific downstream industries shows the tangible impact of the abovementioned GoC policies on the Chinese chlorine market. As noted, the Chinese TiO2 industry is accelerating a transition from the production of Rutile TiO2 through the sulphate method to the chloride method, as explained in the 2024 Shanghai International Titanium Dioxide Exhibition website.[117] This change is also driven by the oversupply of chlorine caused by GoC direction.*

89. *In sum, there is evidence of significant GoC direction and control in the chlorine and caustic soda sectors in the PRC, which distorts the costs of chlorine and of caustic soda.*

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114 *EU Significant Distortions Report, Annex E.2.1.01, pp. 482-483.*
115 *See Regulation (EU) 2024/1923, recitals 161-162.*
116 *Shandong Province, 14th Five-Year Plan for the Development of the Chemical Industry in Shandong Province, 2021, Annex E.2.1.55.*
117 *Shanghai International Titanium Dioxide Exhibition, 2024, Annex E.2.1.12.*

(D) Coal

90. Coal is typically used in the production of Rutile TiO2 as a high temperature reducing agent.

91. As a result of GoC intervention, the cost of coal used in the production of Rutile TiO2 in the PRC is distorted.

92. As the TRA previously found, "the coal market in the PRC is subject to non-commercial factors, such as below-market loans, the price setting of transportation of coal, export restrictions and government subsidies."[118] In line with the TRA's findings, the Applicant makes three points.

93. First, the GoC intervenes in the coal sector in the PRC through considerable subsidy programmes and market loans to support coal production and coal-fired electricity generation. The OECD reported that the coal industry in the PRC receives significant financial support from the GoC.[119] In 2020, GoC subsidies for coal were estimated at 1.55 billion USD, and in 2022, the GoC announced it would inject additional 10 billion RMB (~1.5 billion USD) into its coal-fired power plans.[120]

*94. The coal power sector in the PRC has also been a large beneficiary in the form of below-market loans for expanding capacity,[121] which increases coal production. The Chinese National Development and Reform Commission ("**NDRC**") also guaranteed that coal producers will be able to recover around 30% of their capital costs between 2024 and 2025.[122]*

95. Second, the PRC imposed export restrictions on coal, including via export licensing and export quota.[123]

96. Third, the GoC, through the NDRC, intervenes in the market by setting coal prices. In 2022, the NDRC issued a notice to "further improve the market-oriented coal price formation mechanism … to ensure stable supplies and prices."[124]

97. In sum, there is evidence of significant GoC direction and control in the coal sector in the PRC, which distorts the cost of coal.

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118 TRA, Biodiesel from China*, Final determination, AD0058, paras. 311-317.*
119 OECD, Inventory of Support Measures for Fossil Fuels, 2023, Annex E.2.1.56.
120 See EU Significant Distortions Report, 2024, Annex E.2.1.01, pp. 292-293.
121 OECD, Measuring distortions in international markets, 2023, Annex E.2.1.57, p. 29.
122 Reuters, China to guarantee payments to coal power producers based on capacity, 2023, Annex E.2.1.58.
123 WTO, China's notification pursuant to the decision on notification procedures for quantitative restrictions, 2024, Annex E.2.1.59, p. 7. The notification covers export restrictions applicable from 2022 to 2024.
124 NDRC, Coal price move underway, 2022, Annex E.2.1.60.

(E) Petroleum coke

98. *Petroleum coke is produced from both light and heavy crude oil during the oil refining process. It is the solid, non-volatile carbon residue left after the distillation and cracking of petroleum. Petroleum coke is typically used in the production of Rutile TiO2 as a reducing agent.*

99. *As a result of GoC intervention, the cost of petroleum coke used in the production of Rutile TiO2 in the PRC is distorted.*

100. *First, the petroleum coke sector is subject to GoC planning. As stated above, the FYP14 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]

101. *Against this background, the GoC imposed a range of measures affecting the petroleum sector. For instance, at the provincial level, for instance the Jiangsu Chemical Plan sets the following objectives that concern the petrochemical industry and oil refining:*

> *"Accelerate the upgrading of the oil refining industry and promote the integrated development of oil refining and chemical industry;*
>
> *Optimize the industrial structure and promote the rational layout of the petrochemical industry;*
>
> *Promote the diversification of raw materials and accelerate the construction of large-scale petrochemical apparatus."*[126]

102. *Second, the GoC maintains export restrictions on crude oil, refined oil, and their products including through export licensing and export quota.*[127]

103. *Third, the GoC, through the NDRC, intervenes in the petroleum coke market by steering crude oil prices. Oil and gas transportation prices in the PRC are artificially low as they are heavily influenced by the GoC, both in the form of imposition of government-fixed prices and government-guided prices.*[128] *This also affects the cost of petroleum coke, as GoC-induced production increases the amount of petroleum coke on the Chinese market.*

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125 *Ministry of Industry and Information Technology of the PRC, Guiding opinion on promoting the high-quality development of the petrochemical and chemical industry, 2022, Annex E.2.1.13.*

126 *EU Significant Distortions Report, 2024, Annex E.2.1.01, p. 457.*

127 *WTO, China's notification pursuant to the decision on notification procedures for quantitative restrictions, 2024, Annex E.2.1.59, p. 7. The notification covers export restrictions applicable from 2022 to 2024.*

128 *WTO, China trade policy review, 2024, Annex E.2.1.61, table 3.20, p. 86.*

104. In sum, there is evidence of significant GoC direction and control in the petroleum coke sector in the PRC, which distorts the cost of petroleum coke.

(F) Iron scrap

105. Iron scrap or powder is used as a reducing agent in the sulphate method for producing Rutile TiO2.

106. As a result of GoC intervention, the cost of iron scrap in the PRC is significantly distorted. This follows from the significant distortions in the iron and steel sectors in China, which the Applicant already detailed.[129]

3.1.2.3. Cost of waste disposal

107. The production of Rutile TiO2 generates significant amounts of waste, particularly when using the sulphate method (which is the most used in the PRC). [Sensitive information removed – Applicant's business operations and data].

108. The PRC is the world's largest producer of various types of hazardous waste, particularly industrial waste.[130] However, because of GoC intervention, the cost of waste disposal in the PRC is distorted.

109. Specifically, through its direction and control, the GoC provides waste disposal to Rutile TiO2 producers at a distorted cost. This enables Chinese Rutile TiO2 producers to dispose of high volumes of waste from the production of TiO2 at very low costs. The distortions take the form of (a) very low waste disposal fees and costs for associated permits and licenses; and (b) the avoidance of large capital, replacement, labour, and logistics costs required to meet waste disposal requirements in all other jurisdictions outside of the PRC.

110. These differences are significant and undermine any fair comparison of costs and prices in the PRC versus outside of the PRC. For example, [Sensitive information removed – Applicant's business operations and data]. Similar significant differences exist among other Chinese and non-Chinese Rutile TiO2 producers.

111. In addition to these direct waste disposal costs, non-Chinese Rutile TiO2 producers incur significant additional capital and labour costs to install, operate, maintain, and replace waste reduction equipment necessary to meet applicable requirements or to mitigate the volume of waste subject to high waste disposal fees. There are no similarly strict requirements in the PRC.

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*129 See **Section 3.1.2.2(A)**.*
130 See EU SME Centre, China's hazardous waste sector, Annex E.2.1.62, p. 20.

112. In sum, there is evidence of significant GoC direction and control in the waste disposal sector in the PRC, which distorts the cost of waste disposal.

3.1.2.4. Energy cost

113. The production of Rutile TiO2 is energy intensive. Energy costs in the form of electricity and gas constitute a significant part of the cost of production of Rutile TiO2.

114. Energy costs incurred by Chinese Rutile TiO2 producers are 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.[131] For instance, the TRA found that "[e]nergy is subject to price-setting or guided by local governments."[132] Such GoC intervention at a national or local level causes prices to be artificially low.

115. 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.[133] As the WTO Secretariat put it:

> *"The institutional framework of China's energy sector remained largely unchanged. The National Energy Commission (NEC) is the 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 …."[134]*

116. The department of pricing of the 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*

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131 *See, e.g., TRA's findings in AD0012, AD0021, TD0035, AD0047, AD0062, and AD0058.*
132 *TRA,* Aluminium extrusions from China*, AD0012, Final determination, section F2.*
133 *WTO, China trade policy review report, 2024, Annex E.2.1.61, table 3.20, p. 86.*
134 *WTO, China trade policy review report, 2024, Annex E.2.1.61, para. 4.80.*

> *supervision and review of government pricing items according to rules and regulations."*[135]

117. *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."*[136] *Applying this law, the GoC maintains since 2020 a "Central Government Pricing Catalogue."*[137] *The currently applicable listincludes "provincial and above provincial power grid transmission and distribution prices."*[138] *In 2022, the NDRC published a press release stating that "80 percent of electricity [prices] are set by the market,"*[139] *meaning that at least 20% of electricity prices in the PRC are not at market levels.*

118. *In sum, there is evidence of significant GoC direction and control in the energy sector in the PRC, which distorts the cost of energy.*[140]

3.1.2.5. Land cost

119. *As a result of GoC intervention, land costs in the PRC are distorted.*

120. *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.*[141] *In line with these findings, the Applicant makes three points.*

121. *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.*[142] *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*

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135 *NDRC, Department of price, Annex E.2.1.63.*
136 *Price Law of the PRC, Article 18, Annex E.2.1.64.*
137 *To the best of Applicant's knowledge, the Catalogue was not updated or replaced by the NDRC during the POI.*
138 *Central Government Pricing Catalogue of the PRC, 2020, Annex E.2.1.65.*
139 *NDRC, China's pricing mechanism highly market-based, 2022, Annex E.2.1.66.*
140 *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.*
141 *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.*
142 *Land Administration Law of the PRC, Annex E.2.1.67, Articles 1-2.*

> *transfer land in other ways. The right to the use of the land may be transferred in accordance with the law."*[143]

122. *As the TRA explained,*[144] *the GoC (whether centrally or via villages or townships) grants land use rights.*[145] *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.*[146]

123. *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."*[147] *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 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."*[148]

124. *In the same vein, the PRC's latest Catalogue of Encouraged Industries for Foreign Investment lists industries that receive favourable land use treatment.*[149] *In this catalogue, Rutile TiO2 production is mentioned in the "national" part, and the utilisation of titanium resources is mentioned in the "provincial" part (Sichuan province) of the encouraged industries.*[150] *As the*

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143 *PRC, Constitution, Annex E.2.1.04, Article 10.*
144 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 335.*
145 *TRA,* Certain Excavators from China*, AD00047, Final determination, paras. 280-281.*
146 *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.*
147 *14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025), Annex E.2.1.07, p. 21.*
148 *Zhejiang Province Land Conservation and Intensive Use Measures, 2016, Annex E.2.1.68, Article 10.*
149 *Chinese Catalogue of Industries Encouraged for Foreign Investment, 2022, Annex E.2.1.69. It was released in October 2022 and came into force on 1 January 2023.*
150 *Chinese Catalogue of Industries Encouraged for Foreign Investment, 2022, Annex E.2.1.69, pp. 11 and 81.*

TRA found, land use rights are provided at non-market prices for industries considered as "encouraged."[151]

125. *Furthermore, GoC support within National Economic and Technological Development Zones ("**NETDZs**") in the PRC often includes favourable land use policies to facilitate investment and development. These zones are established by the GoC and aim to attract investment, promote technological innovation, facilitate industrial upgrading, and drive regional economic growth. GoC support to these zones includes providing land at subsidized rates, for example through exemptions of "urban house tax" or "cultivated land use."*[152] *In the context of NETDZs, LB Group reported that it received in 2022 and 2023 a 67,343 RMB "land compensation fee from Changsha Economic and Technological Development Zone Management Committee."*[153] *In its 2021 annual report, LB Group reported that it received the same type of land compensation fee amounting to 2,963,100 RMB.*[154]

126. *Third, there is evidence that the GoC exempts or refunds some land from "land use tax." As the TRA found, since 1986, certain categories of land are exempt from land use tax.*[155] *This also applies to Rutile TiO2 producers. For instance, LB Group reported that it benefits from land use tax refunds.*[156]

127. *For these reasons, the land cost for Chinese Rutile TiO2 producers is distorted.*

3.1.2.6. Labour cost

128. *Labour costs are distorted in the PRC because of non-commercial factors.*

129. *The TRA has found that there are labour cost distortions in the PRC.*[157] *In line with these findings, the Applicant makes three points.*

130. *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*

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151 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 337.*
152 *Ministry of Commerce of the PRC, Tax policies concerning National Economic and Technological Development Zones, Annex E.2.1.70.*
153 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 390.*
154 *LB Group, Annual report, 2021, Annex E.2.1.27, p. 322.*
155 *TRA,* Hot-rolled flat and coil products from China*, TS0018, Statement of essential facts, paras. 109-111.*
156 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 401.*
157 *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.*

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."*[158]

131. *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.*[159]

132. *Rural-to-urban migrants typically earn significantly less than workers with an urban* hukou*, which constitutes a significant cost advantage for employers.*[160] *Reports suggest that the pay differential between agricultural and non-agricultural* hukou *registrations for public and non-public workers is between 5-13%.*[161] *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 rural areas."*[162]

133. *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.*[163] *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*

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

159 *Kam Wing Chan, Internal migration in China: Integrating migration with urbanization policies and hukou reform, KNOMAD Policy Brief 16, 2021, Annex E.2.1.71, p. 1.*

160 *National Bureau of Statistics of the PRC, Migrant workers monitoring survey report, 2023, Annex E.2.1.72. See also TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 161.*

161 *HKUST, Wage discrimination in urban China, 2015, Annex E.2.1.73. See also TRA,* Certain Excavators from China*, AD0047, Final determination, para. 254.*

162 *TRA,* Biodiesel from China*, AD0058, Final determination, para. 345.*

163 *Trade Union Law of the PRC, Annex E.2.1.74, Article 4.*

> *rights and interests of all parties, and promote the healthy development of their enterprises."*[164]

134. *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.*[165]

135. *Therefore, Chinese workers in the Rutile TiO2 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.*[166] *The GoC has not ratified the International Labour Organization's fundamental conventions C098 and C087, which relate to collective bargaining and freedom of association.*[167]

136. *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,*[168] *the TRA found that Chinese minimum income level remains comparatively low as compared to many other countries, including the UK.*[169] *This is mainly because many rural migrant 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.*[170] *As the TRA recently said, "[t]his confers an advantage to the employer of reduced labour costs."*[171]

137. *For these reasons, the labour cost for Chinese Rutile TiO2 producers is distorted.*

3.1.2.7. Finance cost

138. *The cost of finance is distorted in the PRC because of non-commercial factors.*

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164 *CCP, Constitution, Annex E.2.1.03, Article 33.*
165 *Trade Union Law of the PRC, Annex E.2.1.74, Article 2 and Article 4.*
166 *Human Rights Council, Universal periodic review on PRC, Annex E.2.1.75, p. 2.*
167 *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 ILO, Ratifications of fundamental instruments by country, Annex E.2.1.76.*
168 *Reshoring Institute, Global Labor Rate Comparisons, Annex E.2.1.77.*
169 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 171.*
170 *ILO, Improving social protection for internal migrant workers in China, 2019, Annex E.2.1.78, p. 4.*
171 *TRA,* Tin Mill Products from China*, AD0062, Statement of essential facts, para. 165.*

139. *The TRA has identified distortive financial practices such as issuing bonds and loans based on GoC industrial strategy rather than market forces, GoC influence over interest rates through state-owned banks.*[172]

140. *In line with this findings, GoC interventions also distort the finance cost for Chinese Rutile TiO2 producers. This occurs through different types of financial interventions, such as credit support and preferential loans to Rutile TiO2 producers.*

141. *As the TRA found, the GoC provides loans to Chinese companies at artificially low costs directly through state-owned or -controlled banks and/or indirectly through all Chinese banks, including privately owned banks.*[173] *For instance, the General Rules on Loans 1996 provide for the right of local authorities to support preferential loans for preferred industries. Article 15 states that "[i]n accordance with the State's policy, relevant departments may subsidize interests on loans, with a view to promoting the growth of certain industries and economic development in some areas."*[174]

142. *The GoC provides particularly preferential loans and credit support to the Rutile TiO2 sector because it considers the manufacturing sector to be of strategic importance. In FYP14, the CCP stated that it would:*[175]

    - *"[E]xpand the scale of mid- and long-term loans and credit loans for the manufacturing industry."*
    - *"[I]ncrease loans for technological transformation."*
    - *"[P]romote the preference of equity investment and bond financing for manufacturing."*

143. *LB Group's 2021 and 2023 annual reports provide evidence of preferential loans and credit support by the GoC to the company:*

    - *"Interest subsidy for post-disaster recovery and reconstruction loan of the project concerning improving output of titanium dioxide 'from 80,000 tons to 140,000 tons'."*[176]
    - *"Subsidies for loan with discounted interest for the site selection and technological transformation project (special subsidies for loan with*

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172 *TRA,* Biodiesel from China*, Final determination, AD0058, para. 353. See also AD0021, TD0035, AD0047, AD0062.*
173 *TRA,* Optical fibre cables from China*, AD0021, Statement of essential facts, para. 113.*
174 *TRA,* Optical fibre cables from China*, AD0021, Statement of essential facts, para. 140.*
175 *14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025), Annex E.2.1.07, p. 21.*
176 *LB Group, Annual report, 2021, Annex E.2.1.27, p. 318.*

discounted interest for the expansion project with an annual output of 3 million tons).”[177]

- *“Subsidies for the site selection and technical improvement project in the form of granting of loan with discounted interest.”*[178]

144. *For completeness, the Applicant notes that LB Group’s annual reports and related filings consistently declare a wide range of GoC subsidies. In its annual report for 2022,*[179] *and its latest publicly available annual report for 2023,*[180] *LB Group disclosed in its stock exchange filings the receipt of approximately 34 million USD of government subsidies. In addition, in its annual report for 2023, LB Group includes a long list of government subsidies it received spanning fourteen pages.*[181] *Similarly, other large producers in China received government subsidies. For instance, CHTi received 16 million USD of government subsidies in 2023.*[182]

145. *Chinese Rutile TiO2 producers thus have access to preferential credit loans, and credit support. This financial aid benefits Chinese Rutile TiO2 producers’ business operations also when the loans are used for activities other than Rutile TiO2 production* per se *(e.g., for making long-term strategic investments).*

146. *For these reasons, the finance cost for Chinese Rutile TiO2 producers is distorted.*

3.1.2.8. Tax cost

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

148. *The GoC adopted policies to reduce the tax cost for certain Chinese producers, including Rutile TiO2 producers. As the TRA found,*[183] *these policies apply under the currently applicable FYP14, which provides that the GoC will “consolidate and expand the achievements of tax reduction and fee reduction” for companies.”*[184] *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.*

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177 *LB Group, Annual report, 2021, Annex E.2.1.27, p. 319.*
178 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 394.*
179 *LB Group, Government subsidies for listed company, 2022, Annex E.2.1.79.*
180 *LB Group, Government subsidies for listed company, 2023, Annex E.2.1.80.*
181 *LB Group, Annual report, 2023, Annex E.2.1.38, pp. 390-404.*
182 *CHTi, Government subsidies for listed company, 2023, Annex E.2.1.81.*
183 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 292.*
184 *14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the PRC (2021-2025), Annex E.2.1.07, p. 21.*

149. *First, as the TRA found, the PRC has a range of tax incentives in place for the manufacturing industry,[185] 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%.[186] LB Group's annual report confirms that it is designated as a high-tech enterprise and therefore, benefited from a tax cut for the years 2023 to 2025.[187] Similarly, CHTi reports that some of its subsidiaries, such as Anhui Jinxing Titanium Dioxide (Group) and Gansu Dongfang Titanium Industry are designated as high-tech companies by the GoC and therefore benefit from a tax cut.[188]*

150. *Companies based in specific regions in the PRC also benefit from tax cuts on corporate income under other GoC schemes. According to the announcement issued in 2023 by the State Taxation Administration and National Development and Reform Commission of the Ministry of Finance, corporate income tax should be levied at a reduced rate of 15% on encouraged industrial enterprises in the western region from 1 January 2021 to 31 December 2030.[189] As noted,[190] China's western regions are rich in titanium feedstocks. LB Group subsidiaries based in western China, such as Longbai Mining and Metallurgy, Longbai Minerals, Yunnan National Titanium, and Sichuan National Titanium are included in the List of Industries Encouraged in Western China and therefore benefit from tax cuts.[191] Similarly, CHTi's subsidiaries based in Western China, such as Panzhihua Zetong Logistics, are included in the said Catalogue and therefore benefit from the tax cut.[192]*

151. *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%.[193] For instance, for 2023, LB Group reported that it benefitted from VAT refunds for more than 632 million RMB, and for 2022, for more than 810 million RMB.[194]*

152. *Third, support in the form of tax incentives is a critical tool used to achieve GoC objectives within NETDZs, which, as noted,[195] are key components of*

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185 *TRA,* Certain Excavators from China*, AD0047, Final determination, para. 293.*
186 *Acclime China, Corporate income tax (CIT) compliance in China, 2022, Annex E.2.1.82.*
187 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 301.*
188 *CHTi, Annual report, 2023, Annex E.2.1.25, pp. 181-182.*
189 *Lawinfochina, Enterprise income tax policies for the large-scale development of western China, 2021, Annex E.2.1.83.*
190 *See* ***Section 3.1.2.2(A)****.*
191 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 305.*
192 *CHTi, Annual report, 2023, Annex E.2.1.25, p. 182.*
193 *VAT IT, Everything you need to know about China's VAT rebate policy, 2025, Annex E.2.1.84.*
194 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 238.*
195 *See* ***Section 3.1.2.5****.*

the PRC's economic development strategy.[196] In this context, the GoC offers a range of tax incentives to attract investment and stimulate economic activity. These incentives include preferential tax rates, exemptions or reductions on corporate income tax, value-added tax, and customs duties.[197] These types of tax incentives can significantly reduce the operating costs for businesses operating within NETDZs, making them more competitive compared to companies located outside these zones. These benefits are available to Rutile TiO2 producers because, as noted above,[198] the official website of the Chinese Ministry of Commerce for NETDZs lists Rutile TiO2 in its Catalogue of Encouraged Foreign Investment Industries.[199]

153. *For these reasons, the tax cost for Chinese Rutile TiO2 producers is distorted.*

3.1.2.9. Research and development cost

154. *As a result of GoC intervention, the cost of research and development ("**R&D**") in the PRC is distorted.*

155. *The TRA found that R&D costs of Chinese companies reflect non-commercial factors because of GoC funding and other intervention.[200] In line with these findings, the Applicant makes three points.*

156. *First, the GoC is promoting and 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.[201] This also benefits Chinese Rutile TiO2 producers, which are in an encouraged industry. As set out above,[202] large Chinese Rutile TiO2 producers are implementing FYP14 goals relevant to R&D:*

- *CHTi mentions in its latest publicly available annual report that its technological innovation efforts are "[g]uided by the principle of 'accelerating the development of new productive forces and advancing high-quality corporate growth'," and that it is "upholding the principle that enterprises are the main drivers of technological innovation and adhering to an innovation-driven development strategy."[203] It reports that by the*

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196 *Ministry of Commerce of the PRC, Tax policies concerning National Economic and Technological Development Zones, Annex E.2.1.70.*
197 *Ministry of Commerce of the PRC, Tax policies concerning National Economic and Technological Development Zones, Annex E.2.1.70.*
198 *See **Section 3.1.2.5**.*
199 *Ministry of Commerce pf the PRC, NETDZs, Catalogue of Encouraged Foreign Investment Industries, Annex E.2.1.85.*
200 *TRA,* Certain Excavators from China*, AD00047, Final determination, para. 277.*
201 *EU Significant Distortions Report, Annex E.2.1.02, p. 17.*
202 *See **Section 3.1.2**.*
203 *CHTi, Annual report, 2023, Annex E.2.1.25, p. 19.*

end of 2023, it has employed "over 500 scientific and technical personnel and appointed renowned academicians as chief scientific advisors."[204]

- *LB Group reports that "2023 is the first year of full implementation of the spirit of the 20th National Congress of the CPC and promotion of the Chinese-style modernization and also a key year for LB Group to the in-depth pursuance of high-quality development and implementation of the Fourteen Five-Year Plan in the Group … the Company has firmly persisted in the top priority of realizing high-quality development and made an overall work planning comprising business management, scientific and technological research and innovation, corporate governance reform, and CPC development culture."*[205] *It also reports that it "has won 32 provincial or ministerial accomplishment prizes, 1 patent prize, and 31 scientific and technological progress prizes at provincial or ministerial level or above."*[206]

157. *Second, the GoC intervenes specifically in R&D costs through "direct government funding of research through the establishment of tech parks, research centers, and a series of mission-oriented programs."*[207] *This funding directly benefits Chinese Rutile TiO2 producers. For instance, LB Group reported in its 2023 annual report that its R&D expenses from 2020 to 2023 amounted to 3 billion RMB.*[208] *At least part of these expenses were funded through what LB Group describes as "government grants."*[209]

158. *Third, as the TRA found,*[210] *the GoC applies a "super bonus deduction rate" with regards to R&D expenses.*[211] *This tax benefit is a "crucial policy tool for encouraging scientific and technological innovation," as part of the 20th National Congress of the CCP, which "emphasized upholding innovation as the core of the PRC's modernization drive."*[212] *For R&D expenses incurred by a company conducting any R&D activity, an extra 100% of the amount of R&D expenses actually incurred is deducted before tax payment, as of 1 January 2023, provided that the said expenses are not converted into intangible assets*

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204 *CHTi, Annual report, 2023, Annex E.2.1.25, p. 19.*
205 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 42.*
206 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 37.*
207 *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.2.1.86, p. 3.*
208 *LB Group, Annual report, 2023, Annex E.2.1.38, p. 71.*
209 *LB Group, Annual report, 2023, Annex E.2.1.38, pp. 390-392, 394, 396, 400-401.*
210 *TRA,* Certain Excavators from China*, AD00047, Final determination, para. 293.*
211 *KPMG, China Tax Alert, 2021, Annex E.2.1.87.*
212 *State Taxation Administration of the PRC, Interpretation of the new policy on pre-tax deduction of R&D expenses in 2023, 2023, Annex E.2.1.88.*

and are included in the current profits and losses.[213] This policy has a significant impact on large Chinese companies that conduct significant R&D, like Rutile TiO2 producers.

159. For these reasons, the cost of R&D for Chinese Rutile TiO2 producers is distorted.

3.1.3. Conclusion

160. In conclusion, GoC intervention and control distorts costs and prices throughout the Rutile TiO2 sector 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 Rutile TiO2 producers, as well as the ultimate market for Rutile TiO2 in the PRC.

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

161. The PMS in the PRC affects prices on the domestic market in the PRC in a different way than prices on the UK market.[214]

162. More than half of UK consumption of Rutile TiO2 is imported. In contrast, given the large excess capacity of Chinese TiO2 manufacturers and the fact that the PRC is the largest TiO2 producer in the world, there is no incentive for Chinese consumers to import Rutile TiO2 into the PRC.[215] Indeed, in January-October 2025, Chinese Rutile TiO2 imports totalled 62,000 MT.[216] Annualised to full 2025, this means Chinese Rutile TiO2 imports are ~75,000 MT. This is a fraction of Chinese Rutile TiO2 consumption, which is in the range of 2.5-3 million MT.

*163. As detailed in **Section 3.1** above, Chinese Rutile TiO2 producers benefit from artificially low, distorted costs for all cost areas.[217] In contrast, UK Rutile TiO2 producers pay much higher, undistorted costs. This cost advantage gives Chinese Rutile TiO2 producers an unfair competitive advantage when selling Rutile TiO2 to the UK market, allowing Chinese Rutile TiO2 producers to undercut and undersell UK Rutile TiO2 producers.*

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213 *KPMG, China Tax Alert, 2021, Annex E.2.1.87. See also, State Taxation Administration of the PRC, Interpretation of the new policy on pre-tax deduction of R&D expenses in 2023, 2023, Annex E.2.1.88.*

214 *See, by analogy, TRA,* Aluminium extrusions from China*, AD0012, Final determination, paras. 240-246.*

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

216 *General Administration of Customs of the PRC, Annex E.2.1.89.*

217 *See, by analogy, TRA,* Optical fibre cable from China*, AD0021, Statement of essential facts, paras. 309-310.*

164. Chinese Rutile TiO2 producers do not have this competitive advantage when selling on the Chinese domestic market, because all Chinese Rutile TiO2 producers, including those producers that do not export to the UK market,[218] 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.

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

218 Such as Xuzhou Construction Machinery Group Co., Ltd. (known as XCMG), Qingdao Everun Machinery Co., Ltd, Zoomlion Heavy Industry Science and Technology Co., Ltd., or Shantui Construction Machinery Co., Ltd.

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