



Trade Remedies  
Authority

## **STATEMENT OF ESSENTIAL FACTS**

# **Optical Fibre Cables imported into the United Kingdom from the People's Republic of China**

**Investigation No. AS0022 into alleged subsidisation**

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# Section A: Introduction

## A1. Investigation

1. This investigation covers the alleged importation of subsidised optical fibre cables (OFC) into the United Kingdom (UK) from the People's Republic of China (PRC). A full description of the goods concerned and intended recommendation can be found in [Section D2: Goods Concerned](#).
2. This section briefly summarises the legal framework for this Statement of Essential Facts (SEF) and the Trade Remedies Authority (TRA)'s main findings. The background to and details of the investigation are explained fully in the subsequent sections.
3. This SEF sets out a summary of the facts considered by the TRA during the investigation, those facts that have formed the basis of the TRA's intended final determination and the countervailing measure that the TRA intends to recommend to the Secretary of State for Business and Trade (Secretary of State).
4. It should be read in conjunction with other public documents available for this case on the [public file](#).
5. This SEF also informs interested parties who have supplied information how the TRA has considered and used the information provided to it. The SEF provides details of the analysis forming the basis of the intended determination and allows interested parties to make submissions in response.
6. Interested parties, contributors and any other person who has supplied information to the TRA are invited to make submissions within 26 calendar days of the publication date of this SEF, i.e., before 23:59 hours (BST) on 16 July 2023, as per Regulation 62(2) of [The Trade Remedies \(Dumping and Subsidisation\) \(EU Exit\) Regulations 2019 \(S.I. 2019/450\) \(as amended\) \(the Regulations\)](#).

7. We may consider submissions made after this date, but please note that we are not obliged to do so if we believe it would cause unnecessary delay in the preparation of the final recommendation. Where we reject information for any reason, we will publish our reasons for rejection in our Final Determination.
8. Registered interested parties to the case can make submissions on the [Trade Remedies Service online platform](#) (TRS). These submissions must be accompanied by a non-confidential version of the summary for the public file. Those not registered on the TRS may send submissions by email to [AS0022@traderemedies.gov.uk](mailto:AS0022@traderemedies.gov.uk) and also provide a non-confidential version of the submission.
9. In exceptional circumstances it may not be possible to summarise confidential information. If this is the case, you must provide a 'statement of reasons'. A 'statement of reasons' means a statement setting out the reasons why the TRA should treat the information as confidential and why summarisation of the information is not possible, as defined under [regulation 45\(6\)\(b\) of the Regulations](#).
10. No Provisional Affirmative Determination (PAD) has been made in this investigation. Due to the complex nature of the subsidies considered in the investigation, further time was needed for research and analysis to determine an accurate subsidy amount.

## **A2. Legal framework**

11. This SEF is made pursuant to regulation 62 of the Regulations. It includes:
  - the recommendation that the TRA intends to make;
  - a summary of the facts considered during the investigation;

- those facts referred to in the summary that formed the basis of the intended recommendation;
- details of how we have used the information supplied by interested parties in making the intended final determination; and
- details of the analysis forming the basis of the intended recommendation.

### **A3. Period of investigation and injury period**

12. The period of investigation (POI) is 01 January 2021 to 31 December 2021.
13. To assess injury, the TRA has chosen to examine the period from 01 January 2018 to 31 December 2021 as the injury period (IP).

## Section B: Summary and findings

### B1. Subsidy

14. In accordance with paragraphs 3(1) and 8(3)(a) of Schedule 4 to the Taxation (Cross-border Trade) Act 2018 (the Act) the TRA has examined whether the goods concerned are subsidised.
15. We have concluded that the goods concerned which have been or are being imported into the UK from the PRC are subsidised (see [Section F: Subsidy](#)).

### B2. Injury

16. In accordance with paragraphs 5 and 8(3)(b) of Schedule 4 to the Act, the TRA has examined whether the importation of the goods concerned has caused or is causing injury to a UK industry in those goods.
17. We have concluded that the UK industry has suffered injury and that the importation of the subsidised goods from the PRC has caused injury to the UK industry (see [Section F: Subsidy](#)).

### B3. Economic Interest Test (EIT)

18. The TRA has considered the evidence before it and the following factors set out under paragraph 25 of Schedule 4 to the Act:
  - the injury caused by the importation of the subsidised goods to a UK industry in the like goods and the benefits to that UK industry in removing that injury;
  - the economic significance of affected industries and consumers in the UK;

- the likely impact on affected industries and consumers in the UK;
  - the likely impact on particular geographic areas, or particular groups, in the UK;
  - the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and
  - such other matters as we considered relevant.
19. We have concluded that the application of the countervailing measure that the TRA intends to recommend to the Secretary of State meets the EIT (see [Section H: EIT](#)).

#### **B4. Intended final determination and recommended measure**

20. We intend to make a final affirmative determination in respect of goods concerned originating from the PRC that fall under commodity code: 8544700010.
21. The TRA has determined that the goods concerned have been or are being subsidised and the importation of the subsidised goods has caused injury to the UK industry. The TRA has determined that the application of the countervailing measure that it intends to recommend to the Secretary of State meets the EIT.
22. We intend to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the goods concerned which are the subject of the final affirmative determination.

23. The rates of duty we intend to recommend are as follows:

*Table 1: Recommended ad-valorem duty rates*

<b>Table 1: Countervailing amount</b>	
<b>Overseas exporter/producer</b>	<b>Countervailing amount</b>
SDG Group (consisting of Shenzhen SDG Information Co., Ltd and Shenzhen SDGI Optical Network Technologies Co., Ltd.)	10.62%
Suzhou Furukawa Power Optic Cable Co.,Ltd.	10.62%
Shanghai Wanbao Optical Technologies Co. Ltd	10.62%
Ningbo Geyida Cable Technology Co.,Ltd	10.62%
XDK Communication Equipment Huizhou Co., Ltd.	10.62%
Jiangsu Fasten Optical Cable Co., Ltd.	10.62%
Hengtong Optic-Electric co. Ltd.	10.62%
ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	10.62%
FibreHome Telecommunication Technologies Co Ltd	10.62%
All other overseas exporters (residual amount)	11.79%

## Section C: Background

### C1. Initiation

24. On 11 March 2022, the TRA received an [application](#) lodged by Prysmian Cables & Systems Ltd (the Applicant) alleging that OFC imported into the UK from the PRC are subsidised and causing injury to the UK industry.
25. The Applicant was the only UK producer of OFC to support the application; however, as the applicant has at least 25% of the total production in the UK of the like goods and the application was not opposed by other UK producers of the goods cornered whose collective output is greater than or equal to that percentage, the market share requirement is met in accordance with regulation 52(2) of the Regulations.
26. The application contained evidence of the importation of subsidised goods and of resulting injury that the TRA deemed sufficient to justify the initiation of an investigation. The case, AS0022, was then initiated by the TRA on 26 April 2022, and the [Notice of Initiation \(NOI\)](#) was published on that date.
27. Prior to the initiation of AS0022, the TRA invited the Government of China (GOC) to participate in consultations in accordance with our obligations under Article 13.1 of the Agreement on Subsidies and Countervailing Measures (ASCM) and paragraph 9(6)(b) of Schedule 4 to the Act. The GOC initially accepted the invitation for consultations, but also requested that initiation of the case be delayed to allow it time to review and prepare for consultations. The TRA considered Article 13.3 of the ASCM which states “*these provisions regarding consultations are not intended to prevent the authorities of a Member from proceeding expeditiously with regard to initiating the investigation.*” As an invitation for consultations had been made, the TRA proceeded with its initiation as planned but offered to hold consultations with the GOC in parallel with the investigation proceeding. At that time the GOC did not pursue the offer of

consultations. In June 2022, the TRA approached the GOC again regarding its original request for consultation confirming that the invite for consultation remained open. The GOC initially accepted this further offer for consultations but did not proceed further. As per regulation 63 of the Regulations and footnote 44 to article 13.2 ASCM that no final determination is made without reasonable opportunity for consultations being given, the TRA has reiterated its invitation to the GOC to participate in consultations prior to this SEF being published.

## **C2. Participation in the investigation**

28. The TRA invited interested parties and contributors to register in order to participate in the investigation.
29. [Annex A: Interested parties and contributors](#) contains a summary of information received from all interested parties and contributors.

### **C2.1. UK Producers**

30. Other than the Applicant, no other UK producer has registered an interest in the case.

### **C2.2. Exporters/Producers from the PRC**

31. Overseas exporters that registered their interest in the case are included in [Annex A: Interested parties and contributors](#).
32. Due to the number of responses received during the registration period, the TRA limited its examination of overseas exporters. The TRA published a notice of [proposed sample](#) on 20 June 2022.
33. The overseas exporters selected to be within the sample were:
  - Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC)

- ZTT Group (including Jiangsu Zhongtian Technology Co. Ltd & Zhongtian Power Optical Cable Co., Ltd)
  - SDG Group (including Shenzhen SDG Information Co. Ltd & Shenzhen SDGI Optical Network Technologies Co., Ltd.)
34. Following the published sample notification, YOFC contacted the TRA on 28 June 2022 to state that it did not wish to respond to our request for information. The TRA determined YOFC to be a non-cooperative party with regard to the investigation pursuant to regulation 49 of the Regulations. The limited information supplied by YOFC has been disregarded in accordance with regulation 49(1) of the Regulations.
35. On 27 July 2022, after initially requesting an extension to the deadline, ZTT Group also informed the TRA that it did not wish to respond to our request for information. Therefore, the TRA also determined ZTT Group to be a non-cooperative party with regard to the investigation. The limited information supplied by ZTT Group has been disregarded in accordance with regulation 49(1) of the Regulations.
36. Shenzhen SDG Information Co., Ltd. ('SDG') is an exporting producer of the goods concerned registered in the PRC. Shenzhen SDGI Optical Network Technologies Co., Ltd., ('SDGI') is a subsidiary of SDG (which holds 51% of the shares) and also acts as an exporting producer of the goods concerned. Both SDGI and SDG submitted questionnaire responses and have been fully cooperative with the investigation. For the purposes of the investigation, all companies related to SDG were collapsed into the 'SDG Group' with the subsequent duty rate covering the overall SDG Group.

### **C2.3. Importers**

37. During the registration period two UK importers of the relevant goods, Mayflex UK Limited (Mayflex) and BT Telecommunications plc (BT) registered their interest in the case and submitted completed pre-sampling questionnaires.
38. Mayflex did not fully respond for our request for information through a questionnaire response. The TRA determined on 14 October 2022 that Mayflex is a non-cooperative party, pursuant to regulation 49 of the Regulations.
39. BT is a significant user of the relevant goods in the UK market and imports the relevant goods through its logistics partners. BT submitted a questionnaire which was deemed to be incomplete and could not be used within the investigation. The last correspondence the TRA had with BT was 16 September 2022 and it failed to respond to correspondence sent on 5 October 2022. It has therefore been deemed a non-cooperative party, pursuant to regulation 49 of the Regulations.

### **C2.4. Foreign Government**

40. The GOC registered its interest in the case through its Ministry of Commerce, (MOFCOM). The GOC submitted a pre-sampling questionnaire and has fully completed a questionnaire.
41. The TRA received an additional [submission](#) from the GOC on 29 May 2023 which has been published to the public file and will be addressed throughout this SEF.
42. The GOC has mentioned that annexes F7.B, F8.B and F9.B were missing from the submission from the Applicant on the public file. These were the English versions of the annual reports for three OFC producers in the PRC. The standard Chinese version was published with the questionnaire submission, and the English language versions can be found within the publication of the application annexes.

## C2.5. Overseas Producers

43. On 12 December 2022, the TRA published a note to the public file for the parallel anti-dumping investigation, case AD0021, inviting overseas producers and sellers of the like goods in the Republic of Türkiye to assist in providing information for use in the creation of cost benchmarks. Over the course of this investigation, we determined that the same overseas producers could assist here and requested that all registered Turkish producers for the dumping case also register and submit questionnaires for AS0022.
44. Turkish producers, Corning Incorporated and Turk Prysmian, registered an interest in the case and have fully completed a questionnaire.

## C2.6. Contributors

45. The China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) registered an interest in the case and fully completed a questionnaire.
46. We have taken into consideration numerous comments within the CCCME [questionnaire submission](#) (originally submitted on 4 August 2022, with a third version submitted on 26 January 2023) when determining whether subsidised imports have caused or are causing injury to UK industry. CCCME provided detailed arguments on multiple injury indicators listed in regulation 33 of the Regulations. This was based mainly on the application data which has now been superseded by the questionnaire data. We have provided a reasoned and adequate explanation of how the injury factors were considered within the [Injury section](#).
47. We received an additional submission from CCCME on 19 May 2023, which has been published on the [public file](#). We will address the points raised in that submission throughout this SEF.

48. CCCME did not provide any commentary or evidence regarding the presence or absence of countervailable subsidies for the OFC industry in the PRC.

### **C3. Verification of data**

49. We undertook verification activities in relation to the information provided by the cooperating interested parties, during which we assessed the completeness, relevance, and accuracy of that information. We have had regard to the information supplied by interested parties and contributors, provided that this:

- complied with our statutory obligations and public guidance;
- was verifiable;
- could be used without undue difficulty; and
- was supplied within an applicable time limit and in a form that the TRA has requested.

50. On 26 October 2022, the TRA conducted an onsite verification visit with the Applicant.

51. On 9 January 2023, the TRA conducted virtual verification activities with the SDG Group.

52. On 26 January 2023, the TRA conducted desk-based verification activities with the Turkish producers registered to the investigation.

53. Verification reports were produced for each of the parties verified and non-confidential versions of these reports are available on the [public file](#).

54. Secondary source information was used in accordance with the Regulations. This secondary information was treated with special circumspection and, where practicable, verified using independent sources. This included, but was not limited to, official import statistics and data pertaining to relevant markets. Where data has

not been considered to be verifiable, we have highlighted the areas and drawn conclusions where possible.

55. Although information pertaining to grants, preferential tax programmes and export credit insurance provided by SDG was assessed as verifiable, we have not been able to gain similar assurance for information relating to some land use rights and some loans. We have therefore made adjustments, using our own calculations within these areas using information supplied by SDG. Further details can be found in the published [verification report](#).

# Section D: The Goods Concerned and the Like Goods

## D1. Legislative framework

57. The goods concerned are defined in regulation 2 of the Regulations as “the goods described in the relevant notice of initiation [...] of a subsidisation investigation under regulation 65(2) [of the Regulations]”.
58. In accordance with paragraph 17(2) of Schedule 4 to the Act, the goods to which a final affirmative determination is made are referred to as the ‘relevant goods’. Since the goods subject to our intended final affirmative determination are the same goods as defined in [Section D2](#), we will hereafter only refer to the ‘goods concerned’.
59. For the purposes of the SEF and intended recommendation, we will refer to ‘like goods’ as those which are like the goods concerned in all respects or have characteristics which closely resemble them (paragraph 7 of Schedule 4 to the Act). A further description of the like goods and the like goods assessment is set out in [D3. Like Goods](#).

## D2. Goods Concerned

60. The goods concerned in this investigation are OFC originating in the PRC and exported to the UK, described in the [NOI](#) as:

*Single mode optical fibre cables, made up of one or more individually sheathed fibres, with protective casing, whether or not containing electric conductors and hybrid cables, which are fitted both with optical fibres and electrical conductors. This product is commonly referred to as “optical fibre cables”.*

*The following product types are excluded:*

- *Multimode optical fibre cables due to differences in construction, applications and costs*
- *Cables in which all the optical fibres are individually fitted with operational connectors at one or both extremities; and*
- *Cables for submarine use because they have different applications and are designed differently from land cables. More specifically, unlike land cables, submarine cables 1) have different constructions because they are subject to different external environmental constraints (e.g., water pressure); 2) use different types of fibres (typically G.654 fibres); 3) include a conductor to feed the optical repeaters, which generally contain copper or aluminium; 4) are priced higher than land cables; and 5) are usually sold inside turnkey projects, which include installation. Submarine cables are laid out on the seabed by using specially modified ships.*

61. The goods concerned as described in the NOI correspond to the 10-digit commodity code, 8544700010: *Single mode optical fibre cables, made up of one or more individually sheathed fibres, with protective casing, whether or not containing electric conductors; excluding cables in which all the optical fibres are individually fitted with operational connectors at one or both extremities and plastic insulated cables for submarine use containing a copper or aluminium conductor in which fibres are contained in metal module(s).* Within the NOI, the goods concerned are noted to be subject to the commodity code 85447000. As the description in the NOI aligns with the description for commodity code 8544700010, the investigation has considered the goods concerned at a 10-digit level and the intended measures will apply for commodity code 8544700010.

62. OFC are made from optical fibres; fibre module(s); a construction core; cable jacket(s) and reinforcements not in the cable jacket. Types of optical fibre used are typically G.652 (D) and G.657 (A1 / A2). Reinforcements can include aramid yarn, polyester, or coated steel wires. Polymers such as polyethylene can form the basis for the cable jacket. Other inputs include coating materials and energy.
63. OFC are used for data transmission, namely in outdoor applications, which include underground cables such as:
- a) Loose tube – commonly used in the UK, constructed of a central tube or multi-tubes stranded around a central element with one or more plastic jackets and different types of reinforcements or protection.
  - b) Flexible tube – commonly used in the UK, based on the use of flexible tubes, which contain the fibres, are protected with one or two plastic jackets and different types of reinforcements or protection.
64. Additionally, they can be used overground as aerial cables such as:
- a) Optical Power Ground Wire - installed on the top of the overhead transmission lines on towers or poles
  - b) All Dielectric Self Supporting - that can be installed in the bottom part of the overhead transmission lines or in the poles of any existing infrastructure.
65. OFC are also used for indoor applications such as:
- a) Riser cables – for cabling multi-dwelling unit homes. The riser cables used to connect vertically the basement with all floors of the building.
  - b) Drop cables - typically used to connect the end-user's premises. These cables are typically indoor cables although outdoor versions are also available.

### D3. Like Goods

66. Like goods are defined as goods which are like the goods concerned in all respects or, if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling the goods concerned under paragraph 7 of Schedule 4 to the Act.
67. In identifying like goods, the TRA has considered:
- physical likeness, such as physical characteristics;
  - commercial likeness, including competition and distribution channels;
  - functional likeness, such as end-use or interchangeability;
  - similarities in production, such as method and inputs; and
  - other relevant characteristics.
68. The like goods produced by UK industry are OFC that have the same general construction as the goods concerned. They are also used for the same applications named in [Section D2. Goods Concerned](#).
69. The standards in respect of OFC are set by [The International Telecommunication Union \(ITU\)](#), the specialised agency of the United Nations that is responsible for issues pertaining to information and communication technologies and assists in the development and coordination of technical standards. OFC comply with customer technical specifications often stipulated within the tenders but must meet the relevant international standards established for this product sector. Therefore, the TRA has determined that the goods concerned and the like goods are comparable.

## D4. Unit of Measurement

70. The international standard uses distance as an indicator of measurement of volume within the OFC industry instead of weight; the standard unit being either cable kilometres (ckm) or fibre kilometres (fkm). Where possible, we have used fkm for much of the injury assessment for consistency purposes, with ckm used infrequently, where the trend is able to be shown without need for conversion.

## D5. Product Control Numbers

71. The TRA uses Product Control Numbers (PCNs) to define and group different types of products that fall under the goods description above ([Section D2](#)) to ensure that the prices of similar products are compared to each other during any calculations.
72. PCNs are created on the basis of the main physical characteristics differentiating the goods, providing that the characteristics have an impact on price.
73. In a subsidy investigation, the use of PCNs allows the TRA to calculate the injury margins (see [Section G9.4: Injury margins](#)).
74. The PCN structure used in this case is detailed in [Annex B: PCN Structure](#).
75. The TRA invited parties to comment on the PCN structure. We did not receive any comments from interested parties on this PCN structure and have therefore concluded that the PCN structure was suitable for the purposes of this investigation.
76. The TRA had reasonable assurance that parties had allocated PCNs consistently within their submissions, and where anomalies were identified this was addressed with the parties.

## **D6. PCN analysis**

77. In our injury calculations, we used the methodology of conducting a PCN-by-PCN margin calculation. When calculating the injury margin, PCN-by-PCN calculations were possible for PCNs that were both sold in the UK as domestically produced like goods and exported from the PRC to the UK as the goods concerned.

## Section E: The UK industry and UK market

### E1. Scope of the UK Industry

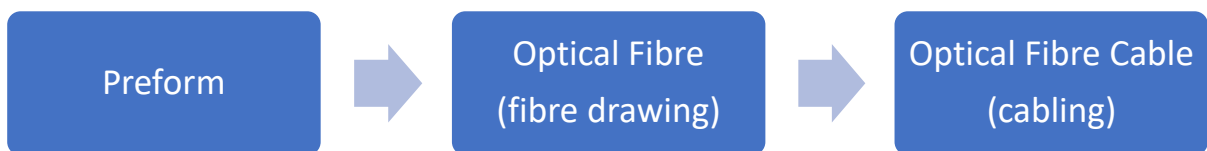
78. There is one confirmed producer of OFC in the UK, the Applicant, with three other possible producers who have not participated in the investigation: AFL Europe, Leviton Manufacturing UK Limited and TE Connectivity. We have been unable to confirm UK based production levels of the three companies above.
79. Our research suggests that Leviton, based in Glenrothes, imports goods through commodity code 85447000 from a number of different countries. In its [2022 catalogue](#) Leviton states that it is “a single-source global manufacturer”, where components come from Leviton factories. Leviton possibly design and assemble OFC based products in the UK but the OFC themselves may be imported as finished goods.
80. TE Connectivity’s UK operations appear to consist of a holding company for companies incorporated outside of the UK, with no employees other than directors. Tyco Electronics UK Ltd, a related UK incorporated company with a common ultimate parent company and identical directors, appears to focus on “subsea fibre optic communications” which appear to be outside the scope of the investigation.
81. The Applicant’s volume of production is estimated to account for more than 50% of the overall UK production of OFC during the POI, much larger than the estimated production quantities of the other identified UK producers. Estimated production per facility was provided by CRU International Limited (CRU). CRU provides business intelligence on the world and UK optical fibre markets and is recognised as a reliable data source within the OFC industry. The underlying data is accessible via subscription only and has therefore not been disclosed due to confidentiality.

82. The Applicant meets the definition of “UK industry” under paragraph 6(1)(b) of Schedule 4 to the Act and will therefore be treated accordingly for the purposes of this investigation.

## E2. Production processes

83. The UK industry’s production process is as follows:

*Figure 1: Diagram of production*



*Source: Questionnaire response*

84. Preform: The cylindrical core of the OFC is produced by depositing layers of silicon dioxide on the inside surface of a rod.
85. Fibre drawing: A preform tip is melted and then cooled to form a thread like fibre.
86. Cabling: The optical fibres are covered by tubes/modules and a single jacket or multiple jackets to protect the fibre within the cable against the surrounding environment. The type of material used for cable jacketing depends on the cable’s application requirements. Armouring, as well as strength elements can be added. The armouring layer can be made of corrugated metallic tape or a dielectric fibre layer.

## E3. UK Market

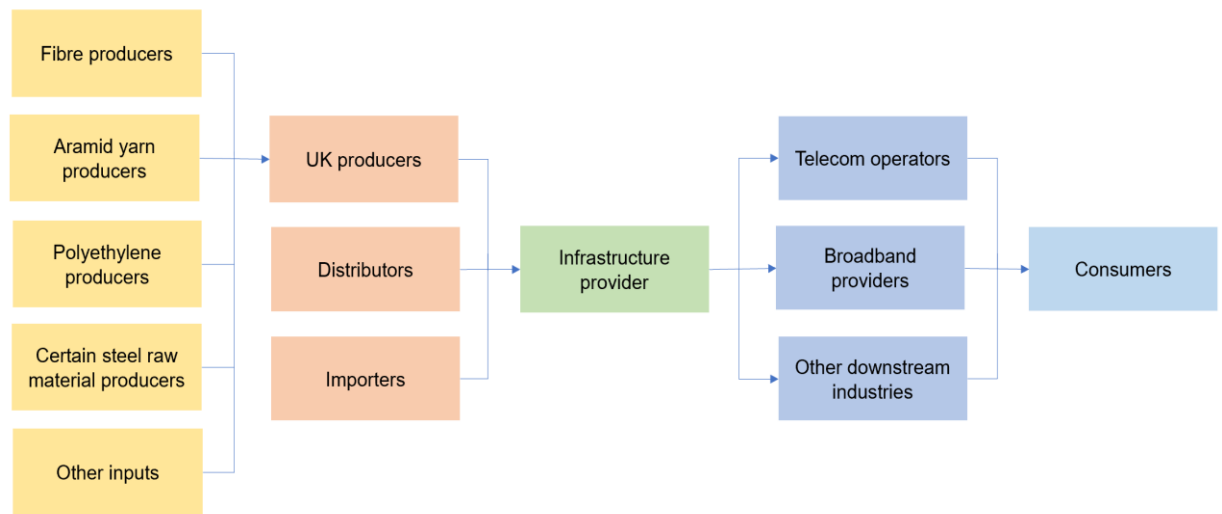
87. The UK market for the goods concerned is mainly driven by broadband infrastructure providers. There are two main distribution channels. OFC are either sold through a tendering process, generally organised by telecom operators, or through spot sales/projects to the general market (which includes sales to

distributors and installers). Broadband operators usually purchase optical fibre cables through tenders which are issued on a yearly basis or every two to three years. Participation in tenders is usually by invitation with one or more negotiation rounds, lasting one to three months.

## **E4. Market structure**

88. Figure 2 illustrates the supply chain for OFC in the UK, detailing the main upstream industries and the structure of the market between production and consumption. This is a simplified version of a complex supply chain, due to some businesses falling into more than one category. For example, the UK producers also import and distribute OFC. Importers can also act as distributors, and some telecom operators also import OFC.
89. The available evidence suggests that OFC tenders are generally awarded based on price. The second sales channel involves distributors and installers in the general market, whereby OFC are purchased as needed or in relation to particular projects. The Applicant questionnaire response suggests 70% of sales are through tenders and 30% of sales through distribution.
90. The OFC infrastructure needs to be installed and maintained as it is essential for downstream industries to provide services to final consumers. Although the infrastructure provider usually operates separately whilst working closely with downstream users, in some cases the downstream user industries install and maintain the OFC infrastructure.
91. The main downstream user industries include telecommunications and broadband service providers, who use OFC to carry information as a service to final consumers. Other downstream uses of OFC include cable TV, underground cabling, aerial cables, and power cables.
92. Whilst OFC are not considered to be a consumer product, consumers purchase services that use them as an input, such as broadband.

Figure 2: An overview of the OFC supply chain



Source: Questionnaire responses

## E5. Market size

93. CRU market research has estimated that approximately 5.7 million fkm were sold in the UK in 2021, which represents UK producer sales plus imports of the goods concerned. This equates to £69m (\$86m) sales value.

## E6. Market analysis

94. The UK market is expected to see an increase in demand for OFC over the next five years. Telecommunications companies are expected to continue to upgrade their networks as demand for broadband increases. Government investment in broadband infrastructure, such as '[Project Gigabit](#)', is also projected to rise and propel industry revenue growth. Project Gigabit was launched in 2021 and is a project designed to bring fast broadband speeds to more than one million hard to reach homes and businesses.
95. [Section G](#) addresses relevant historical market trends in detail as part of our injury assessment.

## **E7. Sources of supply**

96. UK consumption of OFC is sourced from a wide range of suppliers, with UK produced OFC estimated to account for around 50% of that supply (see E1. [Scope of the UK industry](#)). The rest of the market is supplied by imports predominately from the PRC, India, United States of America (USA), Poland, and Germany (according to HMRC import data). The PRC is estimated to account for 18.8% of total imports of OFC during the IP. India, USA, Poland, and Germany collectively accounted for 44% over the same period. The remaining imports are from sixty-nine other countries that collectively account for 37% of the total imports over the IP.

## **E8. Competition in the market**

97. There are three main broadband infrastructure providers who drive the market consumption and hold the lucrative tendering processes. There are three main installers in the UK, namely, British Telecommunications (Openreach), CityFibre and Virgin Media, all of whom build the vast amount of cable network, which incorporate OFC and also provide internet service directly to customers. Additionally, they have the ability to rent network access to network operators (which include TalkTalk, Vodafone and Sky Broadband). Distributors, which include Comtec, Mills and Wolseley, also purchase OFC for resale to alternative network operators (which include Axione, Community Fibre and Jurassic Fibre), who are building their own network and contributing to the expanding UK competition in broadband service delivery.

## Section F: Subsidy

### F1. Introduction to subsidy

98. In accordance with paragraph 3(3) of Schedule 4 to the Act, a subsidy exists if there is either:

- a) a financial contribution by a foreign authority which confers a benefit; or
- b) a form of income or price support within the meaning [of Article XVI of the General Agreement on Tariffs and Trade 1994](#) (part of Annex 1A to the WTO Agreement) received from a foreign authority which confers a benefit.

99. Not all subsidies are countervailable (i.e. capable of being offset through a trade remedy). In accordance with paragraph 3(2) of Schedule 4 to the Act, a subsidy is countervailable if it is specific and is granted either directly or indirectly for the manufacture, production, export or transport of goods. These subsidies may promote unfair trade in goods that harm UK industry.

100. This section will outline:

- the alleged subsidy schemes that the TRA has considered;
- the TRA's assessment of the countervailability of the schemes identified to be within the scope of the investigation, including:
  - whether there is a financial contribution by a foreign authority;
  - whether that financial contribution confers a benefit; and
  - whether the subsidy is specific in nature;

- the methodology for determining the amount of subsidy attributable to the goods concerned in the POI for each subsidy determined to be countervailable; and
- the individual subsidy amounts applicable to participating exporters and producers, and the residual amount.

101. The submission from the GOC in May 2023 mentioned that ‘the Applicant continues to make irrelevant references to various documents’ and uses ‘random financial figures’ to evidence subsidisation in the OFC industry in the PRC. We considered that the application had sufficient evidence to initiate the investigation and we have fully, independently, researched the alleged subsidy areas and used figures from the participating overseas exporters within our findings, details of which are given in the subsequent sections.
102. Furthermore, the GOC alleges that the Applicant’s ‘additional analysis’ misinterprets the applicable legal standard. Over the course of the investigation, we have assessed each alleged subsidy for the nature of the financial contribution; benefit; specificity and the amount attributable to the goods concerned. We also ensured any amount was attributable to the POI.
103. The GOC has alleged that general country-wide and sector-wide allegations against the GOC are unnecessary and does not constitute sufficient evidence. Although both “Made in China” and “14<sup>th</sup> Five year plan” are referenced, conclusions are supported by wider evidence and each subsidy is assessed for its specificity and countervailable specifically with regard to the OFC industry in the PRC.
104. The TRA calculated a single subsidy amount for the two cooperating overseas exporters due to the close nature of their business and governance. This is the same amount applied to the non-sampled cooperating exporters due to the inability to calculate a weighted average amount because of the nature of the relationship between the cooperating parties.

105. The TRA calculated a subsidy amount for all other overseas exporters. This is known as the residual amount.
106. With the exception of the loan and land use rights figures mentioned in [C3](#). [Verification of data](#), we have obtained sufficient and appropriate evidence to conclude that the information provided by the SDG Group is verifiable. We have used the verifiable information including the replacement figures for loans and land use rights to calculate the subsidy amount set out in [Section F12: Subsidy Amounts](#). The methodology used to calculate the subsidy amounts is set out in the sections below.

## **F2. Background**

107. The Applicant has alleged that producers of OFCs in the PRC receive subsidies in the form of:
- Direct transfer of funds in the form of grants
  - Preferential tax rates (government revenue forgone or not collected) in the form of:
    - Enterprise income tax benefits
    - Tax offset for research and development
    - Accelerated depreciation of instruments and equipment
  - Loans (provision of preferential financing) in the form of:
    - Loans by state-owned banks
    - Export-contingent loans
    - Credit lines

- Preferential financing through bonds (standard and convertible corporate)
- Provision of the following goods and service at less-than-adequate remuneration (LTAR):
  - Land use rights
  - Raw materials and inputs
  - Energy
- Preferential export credit insurance and guarantee

108. Based on the analysis of the submissions received, we investigated the evidence and identified several subsidies received by the SDG Group that are countervailable. Further information on these findings is detailed below.

### **F3. Grants**

109. The Applicant provided copies of the audited financial statements of a number of OFC producers in the PRC as evidence that these producers received grants from the GOC. We also received financial statements from the cooperating overseas exporters which provided evidence of the receipt of grants and performed independent research into the grant programmes disclosed.

#### **F3.1. Relevant laws, regulations, and guidelines.**

110. The SDG Group stated that the details of the grants it reported for the POI, including the names of the grant programmes and the individual eligibility criteria are confidential. On this basis, we cannot name any individual grants received by the SDG Group. Therefore, to explain our assessment of whether each grant is a subsidy, as defined in paragraph 3(3) of the Act, and whether each grant is specific, in line with regulation 22, we have provided an overall summary, including links to open-source information where relevant.

111. Submissions from all parties were reviewed to identify laws, regulations, or administrative guidelines that were relevant to our assessment of whether the grants reported should be considered a countervailable subsidy. We identified the following relevant sources, which we have summarised in the table below, showing the source and applicable articles relevant to our investigation, which can be viewed through the various links.

*Table 2: Laws, regulations, and guidelines applicable to grants*

<b>Relevant Law/Regulation</b>	<b>Applicable Article</b>
<a href="#">Notice of Shenzhen Science and Technology Innovation Commission on the issuance of the Administrative Measures for the Funding of Shenzhen Enterprise Research and Development Projects and High-tech Enterprise Cultivation Projects</a>	Article 2 Article 6
<a href="#">The Ministry of Science and Technology, the Ministry of Finance, and the State Administration of Taxation issued a circular on revising and issuing the "Administrative Measures for the Identification of High-tech Enterprises." Guoke Fa Huo [2016] No. 32</a>	
<a href="#">Notice on the application of 2021 Nanshan District National High-tech Enterprise Multiplication and other support plan projects</a>	
<a href="#">Notice of the Municipal Bureau of Industry and Information Technology on the announcement of the first batch of projects to be funded by the 2021 New Generation Information Technology Industry Support Plan</a>	
<a href="#">Shenzhen Science and Technology R&amp;D Fund Management Measures</a>	

### **F3.2. Financial contribution by a foreign authority**

112. We identified that the grants reported by the SDG Group were paid by a variety of government departments; we verified that all of these were foreign authorities through open-source internet research into the awarding bodies for all grants. Consequently, we consider that owing to all of the grants having been made by a government, the grants were made by a foreign authority, within the meaning of para 3(4) of Schedule 4 to the Act.
113. In addition to the audited financial statements received from the cooperating exporters, we reviewed audited financial statements for the SDG Group, bank receipts and accounting system extracts, as detailed in the [relevant verification reports](#) for the SDG Group. This evidence covered all 33 grants considered during the investigation and established that each of these took the form of a direct transfer of funds. In line with regulations 20(1)(a) and 20(3)(a) of the Regulations, we considered that these grants constituted financial contributions. As noted above, we concluded that these financial contributions had been made by foreign authorities.

### **F3.3. Conferring a benefit**

114. The direct transfer of funds from the municipal government provided greater resources without creating any specific reciprocal obligation on the part of the SDG Group. We therefore have concluded that it was a benefit received by the SDG Group in line with regulation 21(2) of the Regulations. The amount of benefit conferred on the SDG Group in the POI is detailed below.

### F3.4. Specificity

115. The criteria for each reported grant was reviewed, and this provided evidence of specificity for the majority of the grants received. This was supplemented by project documentation such as contracts and application details. Where the SDG Group did not report any eligibility criteria for the grants, that was sufficient for us to consider a subsidy specific, we reviewed the relevant submission from the GOC and performed independent research into the details of any supporting laws stated in project documents. The specific documents evidencing the specificity of grants are detailed below.
116. We considered that the [Shenzhen Enterprise Research and Development Project and High-tech Enterprise Cultivation Project Funding Management Measures](#) provided evidence of specificity for one grant. Article 2 of these measures state that, “These Measures apply to the city's funding activities for enterprise research and development projects and high-tech enterprise cultivation projects that comply with the ‘High-tech Fields Supported by the State’”. Article 6 of these measures reports the criteria that must be met to apply for project funding through these measures, this includes, “National high-tech enterprises lawfully registered in the city (including the Shenzhen-Shantou Special Cooperation Zone) and having legal personality, high-tech enterprises in Shenzhen, or industrial and service enterprises above designated size that were included in the statistical scope of the city's statistical department in the previous year;”.
117. In the GOC’s May 2023 submission they argued that reference to "several Measures of Suzhou Industrial Park on Promoting High-quality Development of Manufacturing Industry" is based around "biomedicine, nanotechnology, and artificial intelligence (AI)" industries and therefore does not provide evidence of the OFC industry falling into the category of ‘high tech industry’.
118. However, we reviewed the [associated list of high-tech fields](#) supported by the state and identified the following fields as relevant to the status of OFC producers in the PRC:

- “New optical transmission equipment technologies that can be used for metro networks and access networks, including: new multi-service optical transmission equipment and systems at the mid/low end; New optical access equipment and systems; New low-cost miniaturized wavelength division multiplexing transmission equipment and system; New key module optical transmission system simulation calculation and other special software in optical transmission equipment.”
- “Technology of optical emission and optical receiving equipment with independent intellectual property rights, including: laser module; photoelectric conversion module; Amplitude modulation return optical transmitter; Outdoor broadband optical receiver, etc.”

119. We also reviewed the Circular on revising and issuing the "[Administrative Measures for the Identification of High-tech Enterprises](#)", pertinent to Article 6 of the [Shenzhen Enterprise Research and Development Project and High-tech Enterprise Cultivation Project Funding Management Measures](#). We identified that Article 11 of the circular lists the requirements for an enterprise to receive high and new technology enterprise (HNTE) status. One of the requirements is that the relevant enterprise's main products play a core support role in technology listed within the "High-tech Fields Supported by the State", our review of which is detailed above.

120. Based on our assessment of the relevant evidence related to the grant with eligibility requirements governed by the [Shenzhen Enterprise Research and Development Project and High-tech Enterprise Cultivation Project Funding Management Measures](#), we have established that the programme is specific by being explicitly limited to certain enterprises or industries in the PRC (regulation 22(2)(a)(i) of the Regulations), and that OFC producers are amongst the industries eligible for the programme.

121. A further two grant programmes were reported by the recipient to be restricted to high-tech enterprises. In line with our determination, above, that HNTE status is

specific by way of being explicitly limited to certain enterprises or industries in the PRC (with OFC producers included in these industries), we consider these programmes explicitly specific (regulation 22(2)(a)(i) of the Regulations).

122. We considered the [Notice on the application of 2021 Nanshan District National High-tech Enterprise Multiplication and other support plan projects](#), which governed the eligibility of one of the grant programmes we examined. The annex to this notice, “Operating regulations”, indicates that to apply, enterprises must be “Registered in Nanshan, passed the national high-tech enterprise certification last year”. As noted above, we have established that the eligibility criteria to receive HNTE status is specific by way of being explicitly limited to certain enterprises or industries in the PRC (regulation 22(2)(a)(i) of the Regulations), and that OFC producers are among the industries eligible for the programme.
123. In our examination of a single grant programme, we identified that the proceeds of the first batch of funding released from the programme are detailed in the [Notice of the Municipal Bureau of Industry and Information Technology on the announcement of the first batch of projects to be funded by the 2021 New Generation Information Technology Industry Support Plan](#), published by the Shenzhen Bureau of Industry and Information Technology. From the annex in this announcement, which identifies the projects funded, we have determined that the overwhelming majority of projects funded were related to high-technology products, such as 5G communication networks and LED visual display equipment. Based on the concentration of funding to a small subset of industries, we have determined that the subsidy has in fact been applied in a specific manner (regulation 22(2)(b) of the Regulations) due to being granted disproportionately to certain groups and industries (regulation 22(3)(a) of the Regulations), which include OFC producers.
124. There were two grant programmes that were governed by the [Shenzhen Science and Technology R&D Fund Management Measures](#). Article 7 of this measure specifies the purposes of projects to receive funding from the programme. Of the

nine areas eligible for funding, scientific or technological innovation and research are referenced in seven, two of which also refer explicitly to high-tech industry (established as the basis for specificity above). Although not explicitly limited in terms of the industries that may apply for funding, we consider that the concentration of funding is primarily restricted to high-technology enterprises; consequently, we have determined that the subsidy has in fact been applied in a specific manner (regulation 22(2)(b) of the Regulations) by way of being granted disproportionately to certain groups and industries (regulation 22(3)(a) of the Regulations), which include OFC producers.

125. We considered the [Notice of the Municipal Bureau of Industry and Information Technology on the funding projects of the 2021 Industrial Internet Development Support Plan](#), which governed the eligibility of a single grant programme we examined. From the annex to this announcement, which identifies the projects funded, we have determined that the overwhelming majority of projects funded were industrial internet-related projects. Based on the concentration of funding to a small subset of industries, we have determined that the subsidy has in fact been applied in a specific manner (regulation 22(2)(b) of the Regulations) by way of being granted disproportionately to certain groups and industries (regulation 22(3)(a) of the Regulations), which include OFC producers.
126. We considered the [Notice of the Municipal Bureau of Industry and Information Technology on the announcement of the proposed funding plan for the 2021 industrial enterprise capacity expansion incentive project](#), which governed the eligibility of a single grant programme we examined. From the annex to this announcement, which identifies the projects funded, we have determined that the overwhelming majority of projects funded were industrial internet-related projects. Based on the concentration of funding to a small subset of industries, we have determined that the subsidy has been in fact applied in a specific manner (regulation 22(2)(b) of the Regulations) by way of being granted disproportionately to certain groups and industries (regulation 22(3)(a) of the Regulations), which include OFC producers.

### **F3.5. Conclusion on countervailability**

127. We have identified that there is a financial contribution by a foreign authority with regard to the grants received by OFC producers in the PRC, and that these direct transfers of funds, which do not create any specific reciprocal obligation, confer a benefit on the SDG Group. Consequently, we have concluded that these grants are a subsidy (paragraph 3(3)) of Schedule 4 to the Act). We have found these subsidies to be specific. These grants support the daily business operations of OFC producers and so are granted directly or indirectly for the manufacture, production, export or transport of goods. Consequently, these grants constitute countervailable subsidies (paragraph 3(2) of Schedule 4 to the Act).

### **F3.6. Amount of subsidy**

128. For the grants reported by the SDG group, the amount of subsidy attributable to the goods concerned was calculated in line with regulation 23(1) of the Regulations.
129. The total amount of countervailable subsidy for each grant was calculated in accordance with regulation 23(2)(a) and 24(1) of the Regulations. The total value of each grant received by the SDG Group was considered to be the benefit conferred, in accordance with regulation 24(1) of the Regulations. No deductions to the values were deemed necessary as we did not identify any fees associated with applying for the grants, in line with Regulation 24(3).
130. We calculated the benefit attributable to the POI, in accordance with regulations 23(2)(b) and 25(1) of the Regulations. A number of grants were received during the POI and the benefit was attributed in full to the POI as per regulation 25(1) of the Regulations. None of the aforementioned grants were only part attributable to the POI, as per regulation 25(3) of the Regulations. Several of the grants reported were received before the POI in full or in part. For the grants received outside of the POI, none were found to be qualifying countervailable subsidies, in line with regulation 25(4) of the Regulations.

131. We determined which goods the countervailable subsidy could be allocated to during the POI according to regulations 23(2)(c) and 26 of the Regulations. Of the grants determined to be countervailable subsidies, the SDG Group did not attribute any grants to particular goods and our review of the supporting documentation submitted did not identify any associations between individual grants and any specific goods, or to the destination of goods (domestic sales or exports). Consequently, we considered that the benefit of the subsidy was attributable to all of the sales of goods, in line with regulation 26(1) of the Regulations.
132. The subsidy amount attributable to grants was calculated for the cooperating exporters, as per regulation 23(3) of the Regulations, and is expressed as an ad valorem rate of the value of the subsidised imports, as per regulation 23(4) of the Regulations, in table 3 below.

*Table 3: Subsidy amount attributable to grants*

Organisation	Subsidy type	Subsidy amount
SDG Group	Grant	0.2678%

*Source: Questionnaire responses*

**F4. Preferential tax rates**

133. As stated in Section F2, the Applicant alleged that producers of OFCs in the PRC receive subsidies through preferential tax rates in the form of:
- Enterprise Income Tax privileges and benefits for high and new technology enterprises (HNTEs)
  - Tax offset for research and development (R&D)
  - Accelerated depreciation of instruments and equipment used by high-tech enterprises, for high-tech development and production

134. We considered these alleged subsidies through our assessment of the information provided by the various parties involved in the investigation and our own independent research to assess whether tax programmes utilised by the OFC industry in the PRC constitute preferential tax treatment and whether these represent countervailable subsidies.

**F4.1. Relevant laws, regulations, and guidelines.**

135. Submissions from all parties were reviewed to identify laws, regulations, or administrative guidelines that were relevant to our assessment of whether alleged preferential tax programmes should be considered a countervailable subsidy. We identified the following relevant sources, which we have summarised in the table below, citing the source and applicable articles relevant to our investigation, which can be viewed through the various links.

*Table 4: Laws, regulations and guidelines applicable to preferential tax rates*

Relevant Law/Regulation	Applicable Article
<a href="#">The Ministry of Science and Technology, the Ministry of Finance, and the State Administration of Taxation issued a circular on revising and issuing the "Administrative Measures for the Identification of High-tech Enterprises.</a>	Article 11 Article 12
<a href="#">Announcement on Further Improving the Pre-tax Super Deduction Policy for R&amp;D Expenses Announcement (No. 13 of 2021 of the State Administration of Taxation of the Ministry of Finance)</a>	
<a href="#">Announcement on increasing support for pre-tax deductions for scientific and technological innovation. Ministry of Finance, State Administration of Taxation, Ministry of Science and Technology Announcement No. 2022 of 28</a>	

<a href="#"><u>Circular on Raising the Proportion of Pre-tax Super Deduction of Research and Development Expenses (Cai Shui [2018] No 99)</u></a>	
<a href="#"><u>Circular of the Ministry of Finance and the State Administration of Taxation on improving the enterprise income tax policy for accelerated depreciation of fixed assets (Cai Shui [2014] No. 75)</u></a>	
<a href="#"><u>Enterprise Income Tax Law of the People's Republic of China</u></a>	Article 4 Article 28 Article 30 Article 32
<a href="#"><u>Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policy of Pre-tax Deduction of R&amp;D Expenses (Cai Shui [2015] No 119)</u></a>	Section 4
<a href="#"><u>Ministry of Finance, State Administration of Taxation, Ministry of Science and Technology. Notice on policy issues related to the pre-tax super-deduction of overseas R&amp;D expenses entrusted by enterprises. (Cai Shui [2018] No. 64)</u></a>	
<a href="#"><u>Notice on the deduction of equipment and appliances regarding the corporate income tax policy (Cai Shui [2018] No. 54)</u></a>	
<a href="#"><u>Notice on further improving the corporate income tax policy for accelerated depreciation of fixed assets. Cai Shui [2015] No. 106</u></a>	
<a href="#"><u>Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China</u></a>	Article 95
<a href="#"><u>State Administration of Taxation. Announcement on issues related to the scope of pre-tax super-deduction for R&amp;D expenses (SAT Announcement No. 40 of 2017)</u></a>	

<a href="#">State Administration of Taxation. Announcement on issues related to the pre-tax super-deduction policy for corporate R&amp;D expenses. (SAT Announcement No. 97 of 2015)</a>	
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## **F4.2. Financial Contribution by a foreign authority**

136. For each of the alleged preferential tax programmes mentioned in Section F4.1 we considered submissions from all parties to identify laws, regulations, or administrative guidelines relevant to our assessment of whether the tax programmes constituted a subsidy.
137. [The Law of the PRC on Enterprise Income Tax](#) (enterprise income tax law), was adopted at the fifth session of the tenth National People’s Congress of the PRC on 16 March 2007, and went into effect as of 1 January 2008. Contained within the law are provisions that allow HNTEs to receive lower tax rates than other industries.
138. We identified in article 28 of the enterprise income tax law, that the enterprise income tax reduction received by companies that are designated HNTEs results in a reduction in enterprise income tax paid directly to the GOC. We have found evidence of this in the tax forms of the SDG group, and within the financial statements of other OFC companies.
139. An additional tax reduction programme identified in article 30 of the above enterprise income tax law, allows R&D expenditure to be deducted from a qualifying company’s charge to its enterprise income tax. The tax offset for R&D expenditure results in a reduction of the profit figure that is used when an enterprise calculates its enterprise income tax payment for the financial year. This has the effect of reducing the total enterprise income tax paid by a company directly to the GOC.

140. Article 32 of the above enterprise income tax law identifies a further tax programme that indicates that the number of years of depreciation for fixed assets can be reduced. Such a reduction has the effect of reducing a company's profit figure in the year that the accelerated depreciation occurs. This has the effect of reducing the total amount of enterprise income tax paid to the GOC.
141. These three programmes, if utilised, represent tax revenue foregone that would normally have been paid to the GOC. As the central government of the PRC, the GOC constitutes a foreign authority, within the meaning of paragraph 3(4) of Schedule 4 to the Act.
142. Owing to the tax revenue due to the GOC being reduced by the programmes identified above, we consider that they represent a form of financial contribution, in accordance with regulation 20(1)(b) of the Regulations. Consequently, we determined that the programmes giving preferential tax rates constituted a financial contribution by a foreign authority.

### **F4.3. Conferring a benefit**

143. This section details whether the identified preferential tax programmes confer a benefit.
144. Article 4 of the enterprise income tax law indicates that the general enterprise income tax rate for companies in the PRC is 25%. We considered that the difference between that tax rate and the lower rate of 15% paid by HNTEs, which includes OFC producers, represents the benefit received.
145. Article 30 of the enterprise income tax law indicates that where companies incur expenses on R&D to develop new technologies, products or techniques, these expenses can be deducted when the total taxable income is calculated. Making this deduction when calculating taxable income has the effect of reducing the tax payable by a company which constitutes a benefit.

146. Article 32 of the enterprise income tax law indicates that the number of years fixed assets can be depreciated over can be reduced. This reduction has the effect of reducing a company's profit figure in the year that accelerated depreciation is utilised. This reduces the total amount of enterprise income tax paid to the GOC in that year. This confers a benefit equal to the difference between the total accelerated depreciation amount for the year of a fixed asset, and the depreciation charge that would normally apply to that same asset in a year, in the absence of accelerated depreciation being applied.
147. We have concluded that in the absence of the reduced enterprise income tax, R&D expense offsetting, and accelerated depreciation programmes, OFC exporters originating from the PRC would under normal conditions, have had to pay a greater amount of tax to the GOC.
148. In accordance with regulation 21(1) and 21(2) of the Regulations, we considered that the reduced rate of enterprise income tax, the offsetting of R&D expenditure, and the use of accelerated depreciation can confer a benefit. In the case of the SDG group, benefit was identified for the reduced rate of enterprise income tax and the offsetting of R&D expenditure, but no benefit was identified for accelerated depreciation during the POI. Details of the amount of benefit received by the SDG Group in the POI are set out below within 'amount of subsidy'.

#### **F4.4. Specificity**

149. We noted in article 28 of the enterprise income tax law, that the reduction in enterprise income tax rate is applicable to companies that have the designated HNTE status and are considered to need key support by the State. Based on our review of the submissions from parties, and our own review of the laws, regulations and guidelines relevant to this tax reduction programme, we consider that the preferential tax rate is specific by being explicitly limited to certain enterprises or industries in the PRC (regulation 22(2)(a)(i) of the Regulations). The audited financial statements also indicate that OFC companies have received

the “Certificate of High-tech Enterprise”. Consequently, we consider that this tax reduction programme is specific by way of being explicitly limited to certain enterprises or industries in the PRC (regulation 22(2)(a)(i) of the Regulations), and that OFC producers are among the industries eligible for the programme.

150. In our review of the relevant information related to the tax offset for R&D expenses, we noted that article 30 of the enterprise income tax law does not place specific restrictions on the industries that are eligible for this particular tax offsetting programme. We identified that some industries are excluded from the programme. [The Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policy of Pre-tax Deduction of R&D Expenses](#) includes a list of enterprises that may not apply the tax deduction; however, the list is broad in nature (such as “real estate”), and we considered that this list did not restrict access to the tax reduction programme sufficiently to constitute evidence of specificity. Therefore, we did not identify any information that indicated the programme is explicitly specific (regulation 22(2)(a) of the Regulations), or that it is in fact applied in a specific manner (regulation 22(2)(b) of the Regulations).
151. Article 32 is the provision of the enterprise income law that establishes the use of accelerated depreciation of fixed assets. We identified that [the Notice on further improving the corporate income tax policy for accelerated depreciation of fixed assets](#) provides greater detail on the industries that can apply accelerated depreciation to fixed assets. The annex to this notice includes the broad category “Electrical machinery and equipment manufacturing”. Among the industries included in this group is “Manufacture of wires, cables, optical cables and electrical equipment”. Therefore, based on our assessment of the relevant laws, regulations and guidelines associated with the accelerated depreciation tax reduction programme, we consider that the programme is specific by way of being explicitly limited to certain enterprises or industries in the PRC (regulation 22(2)(a)(i) of the Regulations), and that OFC producers are among the industries eligible for the programme.

## **F4.5. Conclusion on countervailability**

152. We have identified that there is a financial contribution by a foreign authority with regard to the enterprise income tax programme used by OFC producers in the PRC, and that this confers a benefit to the recipients. Consequently, we have concluded that this programme is a subsidy (paragraph 3(3)) of Schedule 4 to the Act). We have found that the reduced enterprise income tax rate of 15% for HNTes is a specific subsidy. The benefit from the specific subsidies we identified supports the daily business operations of OFC producers and so are granted directly or indirectly for the manufacture, production, export or transport of goods. Consequently, the enterprise income tax programme constitutes a countervailable subsidy (paragraph 3(2) of Schedule 4 to the Act). We have not found evidence to demonstrate that the tax offset for R&D expenses is specific.

## **F4.6. Amount of subsidy**

153. In line with regulations 23(2)(a) and 24(1), the total amount of benefit conferred by the subsidies was calculated.

154. From the annual income tax statements provided by the SDG group, we were able to determine that, during the POI, the companies did not derive any benefit from the use of accelerated depreciation for fixed assets. Consequently, we recorded a benefit of zero for the SDG Group and did not perform any further calculations with regard to this subsidy.

155. From the annual income tax statements provided, we were able to identify the specific tax deduction that the SDG Group received from the reduced rate of enterprise income tax. We did not identify any expenses associated with using this preferential tax programme, so we did not make any adjustments to these values.

156. When calculating the benefit attributable to the POI for the reduced enterprise income tax rate of 15%, we considered that the benefit received from the

programme accumulated entirely during the POI owing to the complete overlap between the POI and the tax year ending 31 December 2021 in the PRC. Consequently, we attributed the full benefit received from the reduced enterprise income tax rate to the POI (regulation 25(1)).

157. We determined which goods the countervailable subsidy could be allocated to during the POI according to regulations 23(2)(c) and 26 of the Regulations. The SDG Group did not attribute the reduced rate of enterprise income tax to particular goods and our review of the supporting documentation submitted did not identify any associations with specific goods. Consequently, we considered that the benefit of the subsidy was attributable to all of the sales of goods, in line with regulation 26(1) of the Regulations.

158. The subsidy amount attributable to preferential tax rates was calculated for the cooperating exporters, as per regulation 23(3) of the Regulations, and is expressed as an ad valorem rate of the value of the subsidised imports, as per regulation 23(4) of the Regulations, in table 5 below.

*Table 5: Subsidy amount attributable to preferential tax rates*

Organisation	Subsidy	Subsidy amount
SDG Group	Enterprise income tax of 15% for HNTEs	0.5045%

*Source: Questionnaire responses*

## **F5. Preferential financing**

159. As stated in Section F2, the Applicant alleged that producers of OFCs in the PRC receive subsidies through preferential financing in the form of:

- Preferential loans

- Export-contingent loans received from the Export–Import Bank of China
- Credit lines

160. We considered the countervailability of these alleged subsidies through our assessment of the information provided by the various parties involved in the investigation and our own independent research. Our assessment of loan interest rates also applied to interest related to financing through credit lines. Our findings regarding whether the GOC direct banks to offer loans at preferential interest rates to OFC producers in the PRC, and whether this constitutes a countervailable subsidy do not exclude the Export–Import Bank of China. In our assessment of interest rates, we treated the loans and interest related to credit lines in the same manner as all the other loans reported by the cooperating exporters for the POI.

### F5.1. Relevant laws, regulations, and guidelines

161. Submissions from all parties were reviewed to identify laws, regulations, or administrative guidelines that were relevant to our assessment of whether loans and credit lines were made available to OFC producers on terms that conferred a benefit, and if these should be considered countervailable subsidies. We identified the following relevant sources, which we have summarised in the table below, indicating the source and applicable articles relevant to our investigation.

*Table 6: Laws, regulations and guidelines applicable to preferential financing*

Relevant Law/Regulation	Applicable Article
<a href="#">Company Law of the People’s Republic of China, Chapter 1</a>	Chapter 1, Article 14
<a href="#">Law of the People’s Republic of China on Commercial Banks</a>	Article 4 Article 5

	Article 9 Article 34 Article 38 Article 47
<a href="#">General rules on loans 1996</a>	Article 15
<a href="#">Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry</a>	Article 3 Article 45
<a href="#">Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring</a>	Article 12 Article 13 Article 17 Article 18
<a href="#">Encouraged industries from the National Development and Reform Commission revised and issued the Catalogue for the Guidance of Industrial Structure Adjustment (2019 version)</a>	Part 7 Part 13 Part 14 Part 47

## **F5.2. Financial contribution by a foreign authority**

162. In line with paragraph 3(3)(a) of Schedule 4 to the Act, we must determine if there is a financial contribution by a foreign authority. In doing so, we considered whether there is a foreign authority, meaning a government or public body (paragraph 3(4) of Schedule 4 to the Act), and whether that foreign authority makes a financial contribution (regulation 20 of the Regulations). With regard to preferential financing, we considered if a foreign authority makes a financial contribution in the form of a direct or potential direct transfer of funds (regulation 20(1)(a) and 20(3)(a) of the Regulations). We also considered whether a foreign authority entrusts or directs private bodies to undertake the direct or potential direct transfer of funds (regulation 20(1)(e) of the Regulations). For the purpose of regulation 20(1)(e) of the Regulations and considering if entrustment has occurred, we considered whether a foreign authority has given responsibility to a

private body to perform a direct or potential direct transfer of funds. Similarly, for the purpose of determining if direction has been given, we considered whether a foreign authority possesses the authority, and has exercised such authority, to instruct a private body to perform a direct or potential direct transfer of funds.

### **F5.2.1. PRC bank regulations**

163. We identified several laws and legal rules relating to the provision of loans in the PRC that we considered relevant to examining whether loans made to the OFC industry represented a financial contribution by a foreign authority. The loan data provided by the SDG Group demonstrated that the loans it received from banks in the PRC involved the direct transfer of funds from the banks to the SDG Group. We noted that the [Company Law of the People's Republic of China](#) indicates that all companies in the PRC “must... accept supervision of the government”. Similarly, the [Law of the People's Republic of China on Commercial Banks](#) indicates that banks “shall” conduct lending “under the guidance of the industrial policies of the State”. Finally, the [General rules on loans](#) state that “departments may subsidize interests on loans, with a view to promoting the growth of certain industries and economic development in some areas”.
164. In its [response to the questionnaire](#), the GOC reported that the interpretation of the relevant laws in the PRC presented by the Applicant was inaccurate. The GOC stated that the laws identified do not demonstrate that banks in the PRC are public bodies or are entrusted or directed by the GOC. The GOC cite articles 4, 5, and 9 of the [Law of the People's Republic of China on Commercial Banks](#), asserting that these articles demonstrate that commercial banks in the PRC must perform commercial operations independently of any external individual or entity. We have noted these provisions in the [Law of the People's Republic of China on Commercial Banks](#); however, we also note that article 34 of this law indicates that bank’s lending activities must be performed “under the guidance of the industrial policies of the State”. We consider that the extensive references to banks acting under the direction of the GOC, including in the [Company Law of the People's](#)

[Republic of China](#) and the [General rules on loans](#), indicate that accepting the direction of GOC state policies would override article 4 of the [Law of the People's Republic of China on Commercial Banks](#), as evidenced by article 34 expressly directing banks to align lending activities with GOC policies.

165. The GOC also advanced that article 15 of the [General rules on loans](#) could only be applicable to any reduction in interest rate, and that any suggestion that banks in the PRC were obliged to provide such a loan was inappropriately conflating interest rates and whether banks acted as a foreign authority, or under direction of a foreign authority.
166. We have noted that, as the GOC highlights, the phrasing of article 15 of the [General rules on loans](#) does include that interest rates “may” be subsidised to promote favoured industries. Although the use of “may” does imply that this is not mandatory, we consider that, when viewed alongside article 14 of the [Company Law of the People's Republic of China](#) and article 34 of the [Law of the People's Republic of China on Commercial Banks](#), any voluntary aspects introduced by the inclusion of “may” cannot be considered absolute.

### **F5.2.2. Governance of banks**

167. To further consider whether banks provide finance to OFC producers at the direction of the GOC, we examined the governance of banks that we were aware had provided financing to the SDG Group.
168. For each of the banks that the SDG Group reported having received loans or credit lines from that were relevant to the POI, we sought to examine the articles of association, the composition of senior leadership, annual reports relevant to the POI, and public statements made by banks that were available on their own websites.
169. We reviewed the Industrial Bank Co (IBC)'s [articles of association \(amended August 2022\)](#) to identify any information that could indicate whether the GOC

exercises any level of control over the company's operations. Chapter 4 of the document provides information on "The Communist Party of China Industrial Bank Co", identified throughout the document as "The Party Committee". Article 43 of the articles demonstrates that members of the Party Committee occupy senior positions within the IBC:

170. "Qualified members of the Party Committee may be appointed to the Board of Directors, the Supervisory Board and the senior management through legal procedures.... Party members of the Board of Directors, Supervisory Board and senior management may join the Party Committee in accordance with the relevant regulations and procedures. At the same time, the Discipline Inspection Committee shall be established in accordance with the provisions."
171. Article 44 of IBC's articles of association also outline the role of the Party Committee within IBC's operations by stating that 'The Party Committee shall...ensure the implementation of the Party and State policies in the Bank, the implementation of the major strategic decisions of the Party Central Committee and the State Council', and that the role of the Party Committee includes, "To strengthen the leadership and control over the selection and appointment of personnel, to control the criteria, procedures, inspection, recommendation and supervision, and to adhere to the principle of Party control over cadres and the Board of Directors' selection of management and exercise of human rights in accordance with the law...".
172. These articles demonstrate that members of the CPC may occupy the senior ranks of the IBC and that the Committee that represents the GOC within the company expressly states that its role includes influencing IBC's actions based on CPC and government policies.
173. We reviewed the composition of the Board of Directors of the IBC. During the POI, the Chair, President, Secretary, and three Vice Presidents of the Board of Directors were [elected](#); we reviewed the resumes of the appointments (recorded in an attachment to the [Announcement on Resolutions of the Twenty-ninth](#)

[Meeting of the Ninth Board of Directors](#)) and all were members of the CPC Party Committee of the bank. This demonstrated that CPC party members do occupy significant senior leadership positions at the IBC.

174. Our review of IBC's articles of association and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
175. With particular reference to the Bank of Communications (BOC), this organisation [describes itself](#) as "a large state-owned banking group". Further, Article 67 of the bank's [articles of association](#) suggests that the implementation of guiding policies of the GOC is strictly enforced within the BOC. In particular, the concept of adherence to "the principle of Party control of personnel and the Board of Directors' selection", indicates the GOC exerts relatively direct control over the leadership of the bank. This demonstrates the extent of the role of the bank's CPC Party Committee in determining the bank's strategic decision making, and the level of alignment between this and the policies of the GOC. Our review of the BOC's articles of association and public statements supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions
176. The Agricultural Development Bank of China (ADBC), Shenzhen Branch, is described as a state-owned policy bank. A review of the [website](#) of the ADBC indicates that it makes decisions based on non-market factors. The ADBC describes itself as "under the direct leadership of the State Council" and lists its "Business Philosophy" as "Execute the state will, serve agricultural needs and conform to the law of banking". Further, the President of the ADBC is also the Deputy Secretary of CPC ADBC Committee, and the Vice President of the ADBC is also a Member of CPC ADBC Committee. These Committees serve as a workers' union but also function to install CPC representatives in senior positions in companies in the PRC. Our review of the ADBC's public statements and the

leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.

177. The Bank of China is another bank offering loans to OFC producers that is influenced by the GOC. On its [website](#) it describes itself as a, "...large state-controlled commercial bank..." and that it will, "...adhere to the guidance of Xi Jinping..., completely, accurately and comprehensively implement the new development concept...". There is also a significant government presence in the bank's leadership; the Chair of the bank's [Supervisory Board](#), the functions of which include "to inspect and supervise the financial activities of the Bank" is also Deputy Secretary of the Party Committee of the Bank. Our review of the Bank of China's public statements and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
178. The Bank of Jiangsu's [annual report for 2021](#) was examined and this provided evidence of governmental control in the bank's operations. In the report, the bank describes itself as a "Politically competent bank", stating that it acts to, "Uphold and strengthen the Party's overall leadership, endeavoring [sic] to be a leading bank and demonstrative bank serving the development of local economy and society...". Within the bank's description of its corporate governance in its annual report it states, "The Company kept the organic integration of the leadership of the Party and corporate governance constantly and implemented the requirements of Party committee's study and discussion before making major decisions on operation and management". Our review of the Bank of Jiangsu's public statements supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
179. The China CITIC Bank, the ultimate parent of which, CITIC Group, is "a conglomerate established upon the approval of the State Council" is funded by the Ministry of Finance on behalf of the State Council. Its parent group [describes itself](#) as "a pilot for national economic reform" and "[aligns] its mission with

national goals and contributing to national rejuvenation, pursues a vision of ‘building an outstanding conglomerate with a lasting reputation’”. Of the 11 directors listed on the bank’s [website](#), three are also members of the CPC’s Committee for the bank; these three individuals comprise the bank’s President, Vice President and Executive Vice President. In addition, the Chair of the bank is also the CPC Party Secretary for the parent group, CITIC Group. Our review of the China CITIC Bank’s public statements and the bank’s leadership supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.

180. The China Construction Bank (CCB) Corporation, as a ‘state-owned domestic bank’ [reported](#) in 2022, that it had “carried out in-depth special work of ‘study, investigation and reform’”, the relevant press release stated that, “It is necessary to always bear in mind that CCB is a state-owned financial enterprise under the leadership of the Party, adhere to the political construction in the first place...and promote high-quality development.” Additionally, in a [circular](#) issued by the CCB Committee of the CPC, it is mentioned numerous times that the functions of the CCB are aligned with the priorities of the GOC. One such example, under the heading “Improve the quality and effectiveness of major national strategies”, states the aim is to, “Strengthen financial support for advanced manufacturing industries, issue the "14th Five-Year Plan" Financial Support for the High-quality Development of the Manufacturing Industry, and that the "Notice on Enhancing The Ability to Serve the High-quality Development of the Manufacturing Industry", further clarify the development goals of the manufacturing loan business and implement exclusive supporting policies”. Our review of the CCB’s public statements supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
181. The China Development Bank (CDB) included within the Corporate Governance section of its [2021 annual report](#), a sub-section titled “Strengthening CPC leadership and corporate governance”, stating “CDB improves corporate governance in sync with the consolidation of the Party’s leadership. It fully

implements the important instructions of General Secretary Xi Jinping to ‘uphold Party leadership and build modern corporate systems in state-owned enterprises’ to ensure the implementation of major policies and plans made by the CPC Central Committee...”. In the CDB website’s [“leadership”](#) section, five individuals are named, including the Chair of CDB’s board of directors, the President of CDB, the company’s Chief Inspector of Discipline Inspection and Supervision, and two Executive Vice Presidents; all are members of the CDB Party Committee. Our review of the CDB’s public statements and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.

182. The Export–Import Bank of China included statements in its [2021 annual report](#) from both the bank’s Chair and its President indicating a high level of integration between the bank’s operations and the GOC. These include, “We integrated Party leadership into corporate governance...”, “We acted on the Party’s organizational guideline in the new era and gave priority to political standards in selecting loyal, upright, responsible and high-caliber [sic] talents”, and “In 2021, we at the Export–Import Bank of China followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the major decisions made by the CPC Central Committee and the State Council, and scaled up the Bank’s business in a steady manner.” Additionally, within the company’s [governance structure](#), it can be seen that members of the bank’s Party Committee occupy senior positions, with the Party Secretary also being the Chair of the Board of Directors, and the Deputy Secretary of the Party Committee also being the Vice Chair of the Board of Directors and the President of the bank. Our review of the Export–Import Bank of China’s public statements and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
183. The [2021 annual report](#) of the Industrial and Commercial Bank of China (ICBC) was reviewed. In outlining its outlook for 2022, ICBC make several statements indicating that guiding policies issued by the GOC hold primacy in the bank’s

decision making. ICBC notes that it will, "...uphold and strengthen the Party's leadership, further integrate it with corporate governance, better align the procedural rules of the Party Committee and the decision-making mechanism in corporate governance..." and will, "...further promote the organic integration of the Party's leadership and corporate governance...". Additionally, Article 53 of the [ICBC's articles of association](#), identifies the role of the banks Party Committee; the Committee's role includes to, "Guarantee and supervise the implementation of the principles and policies of the Party and the state in the Bank, and implement the major strategies of the Party Central Committee and the State Council". Our review of the ICBC's articles of association and its public statements supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.

184. The China Everbright Bank is a subsidiary of the China Everbright Group, which describes itself on its [website](#) as a "large-scale state-owned comprehensive financial holding group". The bank's website was reviewed and the findings demonstrated a strong role for the GOC in the bank's activities. In a [press-release from August 2022](#), China Everbright Bank celebrated becoming the first joint-stock commercial bank to provide support financing for a major national infrastructure project in the Wusha Port Area of Chizhou Port. In this press release, China Everbright Bank promotes that "Since the beginning of this year, Everbright Bank has implemented the decision-making and deployment of the Party Central Committee and the State Council, and continued to increase the construction of major infrastructure projects" and that "Everbright Bank attaches great importance to and acts quickly to set up a 'National Infrastructure Major Project Supporting Financing Rapid Response Team', build a guarantee mechanism of 'responsibility refined to people, multi-line collaborative consultation, and efficient sharing of information', include all major projects in the 'Special Support White List', and formulate a set of special support measures including the establishment of special credit plans". Such statements demonstrate a close link between the bank's business strategy and the goals of significant committees of the GOC. Further, the [senior management](#) team of China

Everbright Bank comprises six individuals, five of whom are also members of the bank's Party Committee. Our review of the China Everbright Bank's public statements and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.

185. The profile of the Shenzhen Hi Tech Investment Micro Loan Co., Ltd on the [website of the Shenzhen Microfinance Industry Association](#) describes the company as having been established “by the Shenzhen Municipal Government” and, of the shareholders identified on the [parent company's own website](#) , more than 59% of the company is owned by two state-owned investment firms, Shenzhen Investment Holding Co. Ltd. and Shenzhen Stable Development Investment Co., Ltd. Among the individuals identified on the company's [group leadership page](#), the Chair of the company's Board of Directors and the President of the group are also the Secretary and Deputy Secretary, respectively, of the company's CPC Party Committee., indicating that senior leadership positions within the group are held by individuals affiliated with the GOC. Additionally, the company news section of the company's website includes an [article](#) summarising and publicising local government policies in relation to subsidised financing, including loan interest. A summary of the company's [2021 annual general meeting](#) was also promoted; this indicated that the company insisted on “Policy-based positioning” and referred to “Looking back on 2021, High-tech Investment adheres to the principle of party building leading the cohesion, and firmly adheres to the general tone of the work of keeping the word stable and seeking progress while maintaining stability”. Our review of the Shenzhen Hi Tech Investment Micro Loan Co's public statements and the leadership of the bank supports our finding above that banks in the PRC treat guiding policies from the GOC as mandatory directions.
186. Within the articles of association that we reviewed, all contained references to the role of Communist Party Committees in the governance of banks. Without exception, the articles of association reported that the role the Party Committees included ensuring the implementation of the policies of the state and of the

Communist Party of China (CPC), controlling the selection and appointment of personnel, and adhering to the principle of CPC control over the selection of members of Boards of Directors.

187. When we reviewed the details of the leadership of the banks, a majority of members of every Board of Directors and Supervisors' Board were reported to be members of the CPC or members of Communist Party Committees. This further supports our finding from reviewing articles of association of various banks that the GOC enacts control over the appointment of the senior leadership of banks in the PRC.
188. Our review of annual reports and public statements from the banks identified numerous statements expressing adherence with GOC guidance, to the implementation of CPC policies, to implementing the instructions of General Secretary Xi Jinping, and to strengthening the principle of CPC control over boards of directors.
189. In our review of information made publicly available by banks that have made loans to OFC producers in the PRC, we identified numerous references to adhering to the policies of the GOC and to implementing guidance; the banks do not refer to GOC policies and guidance in advisory terms. Additionally, leadership positions of the banks we examined were consistently dominated by individuals affiliated with the CPC. We consider that this supports our finding that the GOC possesses the authority to direct commercial banks in the PRC, that it does give direction to commercial banks, and that the banks accept these directions for operations.
190. Although the [Law of the People's Republic of China on Commercial Banks](#) indicates that commercial banks shall perform business operations “without interference from any unit or individual” and the [General rules on loans](#) indicating that banks “may subsidize interests on loans” only, the totality of the evidence we reviewed indicates that banks in the PRC are directed to subsidise interest on loans by the GOC. With regard to regulation 20(1)(e) of the Regulations, we

consider that, in line with article 14 of the [Company Law of the People's Republic of China](#), the GOC does explicitly possess the authority to instruct commercial banks in the PRC. Further, we consider that article 34 of the [Law of the People's Republic of China on Commercial Banks](#) does explicitly issue an instruction to commercial banks in the PRC, that lending activities must be aligned with the GOC's industrial policies. The issuing of loans and the provision of credit lines, which we consider are included within "lending activities", constitute a financial contribution, in line with regulation 20(1)(a) and 20(3)(a) of the Regulations. Consequently, we consider that loans provided by commercial banks in China constitute a financial contribution by a foreign authority.

### **F5.2.3. Conclusion on financial contribution by a foreign authority**

191. As the central government of the PRC, the GOC constitutes a foreign authority, within the meaning of para 3(4) of Schedule 4 to the Act.
192. We have concluded that the laws identified above demonstrate that the GOC does explicitly possess the authority to instruct commercial banks in the PRC, and that it exercises this authority to direct banks' lending activities (regulation 20(1)(e) of the Regulations). This is further supported by our review of public statements by banks identifying the universal reporting of the implementation of GOC policies, and by the articles of association we reviewed for banks all stating that Communist Party Committees take an active role in ensuring that GOC policies are implemented within banks. Further, we found that CPC-affiliated individuals and Communist Party Committee members occupied the overwhelming majority of positions on the Boards of Directors for every bank we examined, demonstrating the GOC's ability to direct the behaviour of these entities. The accumulated evidence we identified demonstrates that banks in the PRC treat guiding policies from the GOC as mandatory directions.

193. We also established, based on bank receipts and accounting system extracts, that a direct transfer of funds had occurred for the loans and credit lines reported by the SDG Group, demonstrating the presence of a financial contribution.
194. Based on our holistic assessment of the information submitted and our own research, we have concluded that financing provided by the banks examined in this investigation represents a financial contribution by a foreign authority. The GOC possess and exercises the authority to instruct commercial banks regarding their lending practices. Commercial banks provide finance to companies in the PRC based on the instructions communicated through GOC policies and guidance. Consequently, we have concluded that the financing provided to OFC producers in the PRC constitutes a financial contribution through the direct transfer of funds in the form of loans and credit lines (regulations 20(1)(a) and 20(3)(a) of the Regulations), at the direction of a foreign authority, the GOC (regulation 20(1)(e) of the Regulations).

### **F5.3 Benefit conferred**

195. Having determined that the loans reported by the SDG Group for the POI are a financial contribution by a foreign authority (detailed above), we examined whether these loans conferred a benefit. In accordance with regulation 21(4), we considered whether there was a difference between the amount of interest paid on each loan and the amount that the recipient would pay for a comparable commercial loan which it could actually obtain on the market, potentially including adjustments for any fees paid to receive the loans (regulation 21(5)). For the purposes of regulation 21(11) of the Regulations, we also considered whether the prevailing market terms and conditions of banks in the PRC were an appropriate benchmark. We reviewed the submissions made by all parties when performing these assessments.
196. We noted that article 38 of the [Law of the People's Republic of China on Commercial Banks](#), refers to the prescription of upper and lower limits for loan

interest rates by the People's Bank of China. The presence of an upper limit clearly implies a form of interest rate capping by the People's Bank of China; such a cap would reduce interest rates universally in the PRC and have the effect of fundamentally distorting the entire commercial loan market in the PRC. We consider that although article 47 indicates that commercial banks should not lower interest rates to grant loans, it specifies that this should not be performed "in violation of regulations". The presence of article 15 in the [General rules on loans](#) shows that the provision of subsidised interest rates "In accordance with the State's policies... to promote the growth of certain industries" would mean that such a reduction in interest rates would not be "in violation of regulations". Consequently, this article does not preclude the provision of loans at subsidised interest rates.

197. In a similar manner, we identified a further relevant provision in the [Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry](#).
198. Similar to our observation regarding article 47 of the [Law of the People's Republic of China on Commercial Banks](#), Article 45(4) of the [Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry](#) refers to changing interest rates "in violation of relevant regulations". The presence of article 15 in the [General rules on loans](#) indicates that article 45(4) would not apply to the provision of reduce interest rates that were in line with GOC policies.
199. We also identified articles within the [Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring](#) as relevant to whether loans provided by foreign authorities confer a benefit. This Decision has an accompanying document, the [Industrial structure adjustment guidance catalogue \(2019 version\)](#). This catalogue is applicable to all types of enterprises in the PRC and contains three classifications of industry: encouraged, restricted, and eliminated; any industries not classified as belonging

to one of these three categories are considered “permitted”. Articles 17, 18, and 19 provide useful evidence in assessing whether a benefit is conferred.

200. Article 17 gives further context to article 34 of the [Law of the People's Republic of China on Commercial Banks](#), which refers to commercial banks conducting their business “under the guidance of the industrial policies of the State”. Article 17 indicates that financial institutions should provide credit support for encouraged industries. Additionally, we consider that the reference to “credit support” for encouraged projects in article 17 represents an example of the subsidisation of interest to certain industries described in article 15 of the [General rules on loans](#).

### **F5.3.1. The wider credit market in the PRC**

201. The data submitted to the TRA via completed exporter questionnaires indicates that for the majority of the total amount of loan value that was reported, the SDG Group consistently paid below the benchmark loan prime rate (LPR), published by the [People’s Bank of China](#). The LPR is an interest rate that a commercial bank offers to its prime, or most creditworthy, clients and is used by domestic banks as a reference for the lending rates they offer to those prime clients.
202. Articles 18 and 19 of the [Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring](#) indicates that, in contrast to the credit support provided to “encouraged industries”, industries classed as “restricted” and “eliminated” by GOC policies are prevented from accessing financing from commercial banks. Article 18 indicates that this extends to financial institutions being prohibited from issuing loans to companies from restricted industries and Article 19 indicates that financial institutions should cease all credit support to eliminated industries and recover disbursed loans. The removal of groups of industries from the commercial loan market would result in the creditworthiness of such industries not being included within any domestic benchmark interest rate for the PRC, and is a significant distortion within the PRC credit market.

203. In addition to the laws noted above, we conducted independent research into the wider commercial loan market in the PRC, and into the known impacts of state-owned enterprises and state-owned banks in credit markets. Our analysis indicates that the creditworthiness of companies is not based on market-related factors only.
204. An [IMF working paper](#) reported that state-owned enterprises, such as the SDG Group, receive an uplift in credit ratings that results from the implicit guarantee of their debts by the government; the report estimated that this could result in state-owned enterprises receiving interest rates 0.5–1 percentage point lower than would be received by an independently owned company. Other relevant findings include a [working paper](#) from the US National Bureau of Economic Research that sought to quantify the credit premium associated with being a state-owned enterprise in the PRC compared with non-state ownership and identified an increasing premium for state-owned enterprises, and a [report](#) from the World Bank that identified that relationships between state-owned enterprises and state-owned banks are not always purely commercial in nature. The issuance of credit ratings to companies in the PRC has also been identified as an area where systemic distortions exist. Domestic credit rating agencies have been identified by the [IMF](#) as issuing high credit ratings to an extremely high proportion of firms when compared against other international comparators, further suggesting that credit in the PRC is likely based, in part, on non-commercial factors.
205. Despite it not being possible to identify if the loans received by the cooperating exporters are related to specific subsidy programmes, and the GOC having highlighted areas of legislation stating that banks should act based on market forces, we consider that the combination of legislation and notices of the GOC mentioned above, including the explicit [statement](#) that banks may subsidise loan interest rates, support this conclusion.
206. Regarding credit lines, publicly available information from [Barclays Bank UK PLC](#) regarding fees associated with credit in other countries and a previous trade

remedies investigation by the European Commission (EC) noted that, typically, credit lines have accompanying arrangement and renewal fees. This is in apparent contrast with favoured industries in the PRC, which the EC found receive access to credit lines without such fees. We considered that credit lines would normally be expected to carry accompanying fees. We analysed the data submitted to the investigation and noted that credit lines carried no fees or charges outside of the interest associated with borrowing the funds.

### **F5.3.2. Conclusion on benefit conferred**

207. We consider that the loans and credit lines provided to OFC producers in the PRC do confer a benefit, in the form of lower interest rates and credit line fees compared with what would be comparable commercial borrowing that the recipient could actually obtain on the market (Regulation 21(4)). We have considered the laws and articles highlighted by the GOC; and despite the references in these laws to fair competition, our assessment of the entirety of the evidence examined demonstrates that loans and credit lines are provided to favoured, strategically important industries at reduced interest rates and credit line fees in comparison with the terms offered to other borrowers.
208. As detailed in Article 17 of the Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring, encouraged industries receive credit support, which we consider includes the subsidisation of interest rates, as outlined in the General rules on loans in the PRC. Consequently, the rates provided to encouraged industries are below those prevalent in the PRC more widely. However, in addition to this, interest rates available across the PRC are themselves distorted through the presence of a credit premium for state-owned enterprises and the high prevalence of high credit ratings in the PRC market.
209. Our assessment of the laws cited by the participating parties indicates that, although there are laws stating that banks in the PRC should conduct their

business based on commercial terms agreed upon between the parties, the cumulative effect of the laws underpinning the provision of loans and credit lines by banks in the PRC stipulates that preferential terms should be provided to preferred industries.

210. Further supporting this, the reports we identified in our independent research provide evidence that state-owned companies in the PRC, such as the participating exporters in our investigation, receive a credit premium owing to an implicit guarantee of debts by the GOC, and that, worldwide, state-owned banks and state-owned enterprises are known to interact counter to normal commercial market terms.
211. Our holistic assessment of the evidence detailed above has informed our determination that, in the PRC, loans are provided at lower interest rates than would be paid on a comparable commercial loan that the recipient could obtain in a competitive commercial market. Consequently, we have concluded that these loans do confer a benefit to the recipients (Regulation 21(4)).
212. In addition to the under-pricing of loans to favoured industries, we have determined that there is a prohibition on commercial banks providing loans to industries categorized as “restricted” (as specified in Article 18 of the Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring, above). This removal of restricted industries from the commercial loan market in the PRC would result in the creditworthiness of such industries not being included within any domestic benchmark interest rate obtained for the PRC. These effects, combined with those identified in the wider PRC credit market, represent significant distortions within the commercial loan market in the PRC; as such, we consider that the prevailing market terms and conditions for commercial loans in the PRC are not an appropriate benchmark to determine the benefit conferred by preferential loans and credit lines. Consequently, in such calculations, we will use the terms and conditions prevailing in the market of another foreign country, which would be available to

the recipients, as per regulation 21(11)(b) of the Regulations. Based upon these foreign country terms and conditions, we conclude that a benefit has been conferred on the SDG Group in line with regulation 21(4) of the Regulations, with the amount of benefit conferred on the SDG Group detailed within the calculation of the subsidy amount section below.

## **F5.4 Specificity**

213. Following our determination that the loans (including those made by the Export–Import Bank of China) reported by the SDG Group constituted a financial contribution by a foreign authority that conferred a benefit, we sought to establish if these subsidised loans were specific for the purpose of paragraph 3 of Schedule 4 to the Act, in line with regulation 22(1) of the Regulations.
214. In order to determine whether the loans were specific, we have considered article 34 of the [Law of the People's Republic of China on Commercial Banks](#), article 15 of the [General rules on loans](#), and the [Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring](#). The Applicant also cited previous trade remedies investigations performed by the European Commission, and independent reports, and advanced that preferential lending to enterprises from encouraged industries occurs owing to, “significant distortions resulting from the continuing pervasive role of the State in the capital markets”. The Applicant asserted that it is the summation of these laws that indicates specificity and that, consequently, direct evidence of a loan interest rate being contingent on the nature of the business might not be expected to be readily identifiable from loan documents submitted by exporters.
215. In its questionnaire response, the GOC indicated that there are no laws related to banking that favour the producers of optical fibre cables. In support of this it referred again to articles 4, 5, and 9 from the [Law of the People's Republic of China on Commercial Banks](#), and article 3 of the [Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry](#), stating that

these indicated that banks in the PRC must conduct lending activities based on commercial market principles only.

216. We examined loan contracts provided by the SDG Group. No terms were identified in the contracts that explicitly state that the loans have been granted as part of a subsidy programme, or that the loans have been granted based on the SDG Group being an OFC producer. However, as recorded in the verification report for SDG, the company was unable to provide contracts for some of its outstanding loans; consequently, we were unable to verify the content of the loan agreements for all loans.

#### **F5.4.1 Conclusion on specificity**

217. Article 15 of the [General rules on loans](#) notes that subsidised interest rates may be provided to guide industrial economic development. Alongside this, article 12 of the [Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring](#) indicates that the Catalogue for the Guidance of Industrial Structure Adjustment should be used as a guiding document for the implementation of policies related to credit (among other areas). Article 17 of this Decision indicates that financial institutions should provide “credit support” to an explicit subset of industries – those classed as encouraged in line with article 13 of the Decision. The [Catalogue for the Guidance of Industrial Structure Adjustment](#) provides clear evidence that OFC producers in the PRC are an encouraged industry. As well as enjoying credit support, the position of the OFC industry can be contrasted with access to credit among other less favoured industries in article 18 of the Decision, which clearly indicates that “restricted enterprises” are not able to access loans. We consider that banks in the PRC are directed to provide preferential financing to specific industries that are endorsed or encouraged by the GOC. Encouraged industries from the [Catalogue for the Guidance of Industrial Structure Adjustment](#) for the Guidance of Industrial Structure Adjustment specifically mentions broadband equipment, optical fibre systems and industrial internet network construction. The combination of these

legal provisions and guiding documents provides clear evidence that subsidised interest rates are explicitly specific in nature, in line with Regulation 22(2)(a)(i).

218. We consider that the provision of loans to OFC producers in the PRC at subsidised interest rates that confer a benefit occurs in a specific manner. We have determined that the preferential interest rates and credit line fees are explicitly specific in terms of only being available to certain groups of enterprises (Regulation 22(2)(a)(i)).

### **F5.5 Conclusion on countervailability**

219. We have identified that there is a financial contribution by a foreign authority with regard to the provision of financing in the form of loans and credit lines to OFC producers in the PRC, and that the preferential terms of these loans and credit lines confer a benefit to the recipients. Consequently, we have concluded that these loans and credit lines are a subsidy (paragraph 3(3)) of Schedule 4 to the Act). We have found these subsidies to be specific. This financing supports the daily business operations of OFC producers and so is granted directly or indirectly for the manufacture, production, export or transport of goods. Consequently, subsidised loans and credit lines constitute countervailable subsidies (paragraph 3(2) of Schedule 4 to the Act).

### **F5.6 Calculation of subsidy amount**

220. In line with regulation 23(1), we calculated the amount of subsidy attributable to the goods. To do so, we determined the amount of benefit conferred (regulation 24(1)); the amount of the countervailable subsidy that is attributable to the POI (regulation 25(1)), and the goods the subsidy is attributable to during the POI (regulation 26(1)).

### **F5.6.1. Benchmark country**

221. As noted in our conclusions regarding the benefit conferred by preferential financing, encouraged industries receive credit terms that are below those available within a market that is itself distorted through the presence of credit premiums for state-owned enterprises, a high prevalence of high credit ratings, and the removal of restricted and eliminated industries from the wider credit market. Consequently, we consider the prevailing market terms and conditions for commercial loans in the PRC to be inappropriate for use as a benchmark. Consequently, we have used the terms and conditions prevailing in the market of another foreign country, which would be available to the recipients, in line with regulation 21(11)(b).
222. The Republic of Türkiye (Türkiye) was selected as a suitable benchmark country. Both Türkiye and PRC are classified as upper-middle income countries by the World Bank and are within the same [World Bank lending group](#). Additionally, considerable similarities were identified across a number of [World Bank financial indicators](#) related to banking systems when PRC and Türkiye were compared across a 5-year period running until the end of the POI. Furthermore, both Türkiye and PRC have active OFC manufacturing industries. In [another investigation](#), we did not identify significant distortions in commercial financing in Türkiye and an in-country benchmark was used to calculate subsidy benefit within that investigation. In line with those findings, we considered a country-wide benchmark interest rate from Türkiye appropriate for use as a benchmark.
223. Interest rate data was retrieved from the [Central Bank of Türkiye](#). All data points for commercial loan rates in domestic currency for the POI were included in calculating an average benchmark interest rate for the POI.
224. For credit line fees, we identified an independent bank in the benchmark country with [available data for review](#). Our review of the commercial loan fees cited identified benchmark credit allocation fees and credit disbursement fees.

225. Having considered the lending rates and fees in both the PRC market and the Turkish market we consider that the interest rates received, and credit line fees incurred by the SDG Group represent the provision of a service (financing) at a reduced cost (lower interest rates and reduced fees) than what would normally be paid. Our review of the financing received by the SDG Group and the wider area of commercial financing in the PRC indicates that these terms do not reflect normal market terms and conditions, and that we consider them to be a benefit provided by a government authority.

#### **F5.6.2. Amount of subsidy**

226. For loans received by the SDG group, the amount of subsidy attributable to the goods concerned was calculated in line with regulation 23(1) of the Regulations. Our calculation methods differed between loans depending on the structure of the loan repayments, reflecting whether the loan principal was repaid throughout the term of the loan or in full at the end of the loan term.

227. The total amount of countervailable subsidy for each loan was calculated in accordance with regulation 23(2)(a) and 24(2)(a) of the Regulations. The benefit was calculated as the difference between the loan interest accrued on the preferential loans and the amount that would accrue for a comparable commercial loan. We did not identify any fees or costs necessarily incurred to obtain the loans reported; consequently, no deductions were made from the amount calculated, in line with Regulation 24(3).

228. We calculated the amount of subsidy based on the loan interest that accrued or, for the purposes of a credit line, the fees that would have been incurred during the POI, in accordance with regulations 23(2)(b) and 25(1) of the Regulations. For loans, we examined the length of each loan and the final repayment dates and calculated the benchmark interest that would have accrued based on the number of days of the loan period that were within the POI, accounting for any reductions in outstanding loan balance during the POI. We then calculated the interest

accrual from the actual interest rate during the POI and subtracted this from the benchmark interest accrual to calculate the subsidy amount.

229. For credit line fees, we calculated the benchmark allocation fee for each of the credit lines drawn during the POI by multiplying the benchmark allocation fee by the drawdown amount(s). We then calculated the benchmark disbursement fee for each of the credit lines drawn during the POI by multiplying the benchmark disbursement fee by the drawdown amount(s). The difference between these benchmark fees and those incurred by the SDG Group was considered the amount of subsidy.
230. We also believe that standard corporate bonds and convertible corporate bonds are potentially issued by OFC producers in the PRC below a commercial rate of interest. However, we had insufficient data to conclude definitively and therefore this area has not contributed to the overall subsidy amount.

### **F5.6.3. Attributable goods**

231. We determined which goods the countervailable subsidy could be allocated to during the POI according to regulations 23(2)(c) and 26 of the Regulations. The SDG Group did not attribute any of the loans to particular goods and our review of the supporting documentation submitted did not identify any associations between individual loans and any specific goods, or to the destination of goods (domestic sales or exports). Consequently, we considered that the benefit of the subsidy was attributable to all of the sales of goods, in line with regulation 26(1) of the Regulations.
232. The subsidy amount attributable to preferential financing was calculated for the cooperating exporters, as per regulation 23(3) of the Regulations, and is expressed as an ad valorem rate of the value of the subsidised imports, as per regulation 23(4) of the Regulations, in table 7 below.

Table 7: Subsidy amount attributable to loans of sampled exporters.

Subsidy type	Subsidy amount
Loans	9.0646%
Credit line fees	0.1173%
Total	9.1819%

Source: Questionnaire responses

## F6. Land Use Rights

233. As stated in Section F2, the Applicant alleged that OFC producers in the PRC receive subsidies through provision of land use rights for less-than-adequate remuneration (LTAR).
234. We considered the countervailability of these alleged subsidies through our assessment of the information provided by the various parties involved in the investigation and our own independent research.

### F6.1. Relevant laws, regulations, and guidelines

235. Submissions from all parties were reviewed to identify laws, regulations, or administrative guidelines that were relevant to our assessment of whether land use rights were provided at LTAR and should be considered a countervailable subsidy. We identified the following relevant sources, which we have summarised in the table below, showing the source and applicable articles relevant to our investigation, which can be viewed through the various links.

Table 8: Laws, regulations and guidelines applicable to land use rights

Relevant Law/Regulation/Guidelines	Applicable Article
<a href="#">Circular of the State Council on Issues related to Strengthening Land Regulation (Guo Fa [2006] No. 31)</a> and	

<a href="#">Decision of the State Council on Deepening Reform and Strict Land Management (Guo Fa [2004] No. 28)</a>	
<a href="#">Decision of the State Council on Promulgating and Implementing the “Interim Provisions on Promoting Industrial Restructuring”</a>	Article 7 Article 12 Article 18
<a href="#">Decree of the Ministry of Land and Resources of the PRC Number 39</a>	Article 2 Article 5 Article 10
<a href="#">Industrial structure adjustment guidance catalogue (2019 version)</a>	
<a href="#">Land Administration Law of the PRC</a>	Article 2 Article 3
<a href="#">Notice of the People's Government of Shenzhen Municipality on the issuance of the Administrative Measures for the Supply of Industrial and Other Industrial Land</a>	Article 2 Article 4 Article 5 Article 6 Article 7 Article 20 Article 23
<a href="#">Notice of the General Office of the People's Government of Shenzhen Municipality on Printing and Distributing the Rules for Calculating Land Prices in Shenzhen</a>	Section 1.3 Section 1.6 Section 1.7
<a href="#">Notice of Shenzhen Municipal Planning and Land Resources Commission on the issuance of the Rules for Estimating Parcel Land Prices in Shenzhen (for Trial Implementation)</a>	Article 4 Article 5
<a href="#">Parcel Land Prices in Shenzhen (for Trial Implementation)</a>	
<a href="#">Policy interpretation of the Measures for the Administration of Industrial and Other Industrial Land Supply in Shenzhen</a>	
<a href="#">Policy interpretation of the Shenzhen Land Price Measurement Rules</a>	

<a href="#">Regulations on the Administration of Land Prices in Guangdong Province</a>	Article 10
<a href="#">Regulation on the Implementation of the Land Administration Law of the PRC (2021 Revision)</a>	Article 17

## F6.2. Financial Contribution by a Foreign Authority

236. Article 2 of the [Land Administration Law of the People's Republic of China](#) indicates that all land in the PRC is owned by the state. [Article 2 of the Decree of the Ministry of Land and Resources of the People's Republic of China Number 39](#) (Decree number 39) does not distinguish between land use rights purchased from the state directly and those transferred between parties, stating that the auction and listing rules set out in the Decree apply to “the right to use the state-owned construction land”. With all land in the PRC being owned by the state, such rules would apply to all land use right transfers. Further, Article 2 indicates that the process of issuing bidding announcements, inviting bids, and determining the holder of land use rights following bidding is conducted by “...competent administrative departments for land and resources of the people's governments of cities and counties”. Article 10 of Decree number 39 demonstrates that this extends to the determination of bid starting prices and reserve prices.
237. As detailed in Article 2 of Decree number 39, the entity providing land use rights is the relevant department of a local government body. As a government body, these constitute foreign authorities, within the meaning of para 3(4) of Schedule 4 to the Act.
238. As goods other than general infrastructure, we consider that the transfer of land use rights within the PRC constitutes a financial contribution in line with regulation 20(1)(c) of the Regulations.
239. Consequently, the provision of land use rights in the PRC constitutes a financial contribution by a foreign authority.

### F6.3. Conferring a benefit

240. Having determined that the provision of land reported by OFC producers in the PRC are financial contributions by foreign authorities (detailed above), we examined whether the terms of such transfers confer a benefit. In accordance with regulation 21(8) of the Regulations, we considered whether there was a difference between the amount paid for land use rights and the amount that the recipient would pay for comparable land use rights on the market. We reviewed the submissions made by all parties when performing this assessment.
241. Article 10 of Decree number 39 indicates that land valuations across the PRC are affected by government industrial policies. Additionally, the [Notice of the General Office of the People's Government of Shenzhen Municipality on Printing and Distributing the Rules for Calculating Land Prices in Shenzhen](#) and its preceding trial implementation notice make reference to a 'correction coefficient' which is used for the purpose of calculating reserve prices for groups of industries. The correction coefficient is reported as 0.5. Purchasers of land priced in this manner would derive significant benefit through land rights purchased at LTAR compared with those industries not subject to such measures. The [policy interpretation](#) of the Measures for the Administration of Industrial Land Supply in Shenzhen which includes the [Notice of the People's Government of Shenzhen Municipality on the issuance of the Administrative Measures for the Supply of Industrial and Other Industrial Land](#) indicates that its purpose is to reduce the cost of industrial land, and that the scope of application of the land price industry development-oriented correction coefficient is consistent with national standards. This indicates that, although this Notice applies to Shenzhen directly, the inclusion of a "correction factor", or other mechanisms intended to reduce land prices for some industries when determining land parcel prices, is a process applied at a national level across the PRC.
242. We have determined that the financial contribution by a foreign authority (in the form of the provision of land use rights) confers a benefit in line with regulation

21(1) of the Regulations. This occurs through the provision of land use rights at less than adequate remuneration (LTAR) in line with regulation 21(8) of the Regulations.

243. Consequently, as a result of all land within the PRC being owned by the GOC and any land use rights being strictly controlled by government departments, we have concluded that when calculating the amount of benefit conferred, it is appropriate to use the terms and conditions prevailing in the market of a third country (in line with regulation 21(11)(b)) since benchmarks from the PRC would not reflect market conditions. Based upon these foreign country terms and conditions, we conclude that a benefit has been received by the SDG Group in line with regulation 21(4) of the Regulations, with the amount of benefit conferred on the SDG Group detailed within the calculation of the subsidy amount section below.

#### **F6.4. Specificity**

244. Following our determination that the provision of land use rights to OFC producers in the PRC constitutes a financial contribution by a foreign authority that confers a benefit, we sought to establish if the subsidised transfer of land use rights were specific for the purpose of paragraph 3 of Schedule 4 to the Act, in line with regulation 22(1).

245. We have concluded that, based on the GOC's industrial policies, certain groups of industries are prevented from participating in the land use rights market at all, whereas other favoured industrial groups, including OFC producers, have auction reserve prices adjusted downwards. The downward adjustment of prices occurs through the restriction of industries that can participate in auctions for land parcels. This can be seen in the conditions set out in [land use rights auction listings](#); in addition to the listing including a land use type, an "Access industry category" is included. By limiting the companies that can participate in auctions for the land use rights for particular parcels of land, and reducing the reserve prices for preferred industries, these industries are able to purchase land use rights at

lower prices in comparison with industries that are not subject to these preferential policies. The [Decision of the State Council on Promulgating and Implementing the "Interim Provisions on Promoting Industrial Restructuring"](#) and the accompanying [Industrial structure adjustment guidance catalogue \(2019 version\)](#) indicates that the catalogue should be used to guide policy development in the administration of the sale of land use rights.

246. Regarding Shenzhen, which has specific significance to our cooperating exporters in that their land use rights are held there, we identified that land use prices were associated with the type of industry using the land. We noted in Article 23 of the [Notice of the People's Government of Shenzhen Municipality on the issuance of the Administrative Measures for the Supply of Industrial and Other Industrial Land](#), a “correction coefficient” is reported. The policies appear to be applied across the PRC and the [Regulations on the Administration of Land Prices in Guangdong Province](#) support this. Article 10 of these regulations clearly state that “key industries” and projects supported by the state may be subject to preferential prices for land use.
247. In conclusion, we have identified that the opportunity to participate in auctions for specific land parcels is restricted based on industry, that the reduced reserve prices for such auctions are also dependent on industry type, and that the beneficiaries of such policies include high-technology industries. We considered that OFC producers’ status as HNTEs indicated that they were included in the businesses eligible to participate in auctions with reduced land prices.
248. Based on our analysis, we have determined that the provision of land use rights at LTAR is specific, in line with paragraph 3 of Schedule 4 to the Act and regulation 22(1) of the Regulations. We have established that the subsidy is explicitly limited to certain groups of enterprises, including OFC producers in line with regulation 22(2)(a)(i) of the Regulations.
249. Additionally, in line with paragraph 3(2) of Schedule 4 to the Act, the status of OFC producers as HNTEs and their ability to participate in auctions with reduced

land prices means that the subsidy has been granted indirectly for the manufacture of the goods concerned.

## **F6.5. Conclusion on countervailability**

250. We reviewed of the documents submitted by the SDG group, the references cited by interested parties and contributors, and the legal and policy documents we identified independently. From these, we concluded that OFC producers in the PRC obtain land use rights at LTAR, and that this constitutes a countervailable subsidy, in line with regulation 19(2)(a).
251. In demonstrating that the transfer of land use rights constitutes a financial contribution by a foreign authority (as in regulation 20(1)(c) and regulation 20(1)(e), detailed [above](#)), we established that all land in the PRC is owned by the state, and that the right to use that land is purchased from foreign authorities or transferred between parties according to the same process, as determined by the GOC.
252. We have determined that a benefit is conferred through the transfer of land use rights for LTAR (regulation 21(8)). To do so, we established that the GOC mandates that its industrial policies are factored into land use prices in addition to land valuations. Additionally, we have demonstrated that despite under-pricing of land use rights by local authorities to attract investment being illegal, enforcement in this area is inconsistent. Further, we have demonstrated that industrial land use prices in Shenzhen are intentionally under-priced, using a specific “correction coefficient”, to reduce the costs of industrial land, and that this approach is consistent with state-wide policies across the PRC.
253. Finally, we have established that the land use subsidies received by OFC producers in the PRC are explicitly specific in terms of access being limited to certain enterprises (regulation 22(2)(a)(i)). We identified that the opportunity to participate in auctions for specific land parcels is restricted based on industry, that the reduced reserve prices for such auctions are also dependent on industry type,

and that the beneficiaries of such policies include high-technology industries. We considered that OFC producers' status as HNTEs indicated that they were included in the businesses eligible to participate in auctions with reduced land prices, meaning that the countervailable subsidy has been granted indirectly for the manufacture of the goods concerned as required by paragraph 3(2) of Schedule 4 to the Act.

## **F6.6. Calculation of the subsidy amount**

254. In line with regulation 23(1), we calculated the amount of subsidy attributable to goods. To do so, we determined the amount of benefit conferred (regulation 24(1)), amount of the countervailable subsidy that is attributable to the POI (regulation 25(1)), and the goods the subsidy is attributable to during the POI (regulation 26(1)).

### **F6.6.1 Benchmark country**

255. The evidence reviewed in this area indicates that the provision of land use rights across the PRC is sufficiently distorted that the prevailing market terms and conditions for the acquisition of land use rights in the PRC cannot be used as an appropriate benchmark for calculating the benefit conferred through this form of subsidy, as per regulation 21(11) of the Regulations and it is appropriate to use the terms and conditions prevailing in the market of a third country. We obtained details of land lease costs from a participating OFC producer in Türkiye in order to make a comparison.

### **F6.6.2 Subsidy amount**

256. For the SDG Group's land use rights, the amount of subsidy attributable to the goods concerned was calculated in line with regulation 23(1) of the Regulations.

257. The total amount of countervailable subsidy for each land use right was calculated in accordance with regulation 23(2)(a) and 24(1) of the Regulations. To calculate

the benefit, we compared the annual amortization of an SDG Group land use right for the POI that was purchased contemporaneously to the land lease costs from a participating OFC producer in Türkiye. This produced an amount of benefit per square metre of land for the POI. We then used the benefit per square metre of land to calculate the total benefit conferred to the SDG Group from the total area of its land use rights. No deductions were made from the amount calculated, in line with Regulation 24(3). We calculated the amount of subsidy using a benchmark figure of the benefit amount per metre squared for the POI, in accordance with regulations 23(2)(b) and 25(1) of the Regulations.

### F6.6.3 Attributable goods

258. We determined which goods the countervailable subsidy could be allocated to during the POI according to regulations 23(2)(c) and 26 of the Regulations. We considered that the benefit of the subsidy was attributable to all of the sales of goods, in line with regulation 26(1) of the Regulations.

259. The subsidy amount attributable to land use rights was calculated for the cooperating exporters, as per regulation 23(3) of the Regulations, and is expressed as an ad valorem rate of the value of the subsidised imports, as per regulation 23(4) of the Regulations, in table 9 below.

*Table 9: Subsidy amount attributable to land use rights.*

Organisation	Subsidy type	Subsidy amount
SDG Group	Land use rights	0.6726%

*Source: Questionnaire responses*

## F7. Raw Materials and Inputs

260. We have investigated the allegation made by the applicant that producers of OFCs in the PRC benefit from the provision of raw materials and inputs at less than adequate remuneration (LTAR), specifically:

- Preforms used to manufacture optical fibres
- Polymers used to manufacture polyethylene, one of the main raw materials in the production of OFCs
- Steel products used to reinforce or shield certain types of OFCs

261. We have established that OFC producers in the PRC are the recipients of other government subsidies, but we have been unable to find sufficient evidence that companies supplying the raw materials to produce OFCs (whether state owned or private bodies) act under the direction of the GOC.
262. Based on a review of the evidence submitted to this investigation, we have not been able to determine that the provision of raw materials at LTAR to the OFC industry in the PRC constitutes a countervailable subsidy, within the meaning of paragraph 3 of Schedule 4 to the Act.
263. Specifically with regard to the allegation that optical fibres, preforms, polymer, polyethylene or steel products are being supplied to OFC producers in the PRC at LTAR, we consider that the evidence presented is insufficient to determine that either a foreign authority is providing goods or services other than general infrastructure to OFC producers (regulation 20(1)(c) of the Regulations), or that a foreign authority is directing private bodies to do so (regulation 20(1)(e) of the Regulations).
264. As well as a direct financial contribution to OFC producers, we considered financial contributions from a foreign authority, indirectly received via pass-through from subsidies received by the suppliers of raw materials as per regulation 21(2) of the Regulations. Although we observed a difference between the price of optical fibre purchased by the SDG Group and a comparative benchmark, we could not attribute the price difference to pass-through. Thus we were unable to find evidence to suggest the OFC producers received any form of pass-through subsidy.

## F8. Energy

265. We have investigated whether producers of OFCs in the PRC receive subsidies through purchasing energy at LTAR in the form of discounts on energy tariffs for encouraged industries.

### F8.1. Relevant laws, regulations and guidelines

Table 10: Laws, regulations and guidelines applicable to energy

Relevant Law/Regulation/Guidelines	Applicable Article
<a href="#">Company Law of the People's Republic of China; Chapter 1 [2019]</a>	Chapter I, Article 5
<a href="#">Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Electric Power System (Full Text) [2015]</a>	Article 1, Paragraph 9
<a href="#">Notice of the National Development and Reform Commission on the comprehensive liberalization of the power generation and consumption plan of operational power users [2019]</a>	Article 1, Paragraph 3
<a href="#">The National Development and Reform Commission and the National Energy Administration on active promotion Electricity Market-oriented Trading Notice on further improving the trading mechanism. Development and Reform Operation [2018] No. 1027</a>	Article 1(1) Article 3(2) Article 6(2) Article 8(1)
<a href="#">Notice of the Development and Reform Commission of Guangdong Province on further deepening the reform of electricity prices in our province [2021]</a>	Article 4
<a href="#">Cancel the price of electricity in the industrial and commercial catalogue 29 provinces and cities have successively implemented electricity price reform (with the latest electricity price list) [2021]</a>	Article 2

<a href="#">Notice of the National Development and Reform Commission on Phased Reduction of Enterprises' Electricity Costs to Support Enterprises' Resumption of Work and Production (Fagai Price [2020] No. 258)</a>	Article 1 Article 2
<a href="#">Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring [2005]</a>	Article 12 Article 17 Article 19
<a href="#">Opinions on Promoting the Construction of Optical Fiber Broadband Network. Gongxinbu Liantong [2010] No. 105</a>	Article 4
<a href="#">Encouraged industries from the National Development and Reform Commission revised and issued the Catalogue for the Guidance of Industrial Structure Adjustment (2019 version)</a>	Article 7 Article 13 Article 14 Article 47

## **F8.2. Financial contribution by a foreign authority**

266. We identified several laws and legal rules relating to the provision of energy, in particular electricity, in the PRC that we considered relevant to examining whether energy provision to the OFC industry, allegedly at LTAR, constitutes a financial contribution by a foreign authority. In particular, we noted that [article 14 of the Company Law of the PRC; Chapter 1 \[2019\]](#) indicates that all companies in the PRC “must... accept supervision of the government and the public”. We have also noted in [Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Electric Power System \(Full Text\) \[2015\]](#) that electricity price management was dominated by government pricing as recently as 2015 and in the [Notice of the National Development and Reform Commission on the comprehensive liberalization of the power generation and consumption plan of operational power users \[2019\]](#) it states that certain energy users must “strictly implement” electricity pricing policy. These sources indicate

that the GOC still significantly influences the electricity pricing policy of energy providers in the PRC.

267. The GOC has stated within its submission that there has been a liberalisation programme with the stated objective of introducing market forces to the energy industry; however, within section one of the notice [Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Electric Power System \(Full Text\) \[2015\]](#) it is stated that when liberalisation is attempted, energy prices remain dominated by the GOC, despite the best efforts. More recently in 2018, section one of [The National Development and Reform Commission and the National Energy Administration on active promotion Electricity Market-oriented Trading Notice on further improving the trading mechanism. Development and Reform Operation \[2018\] No. 1027](#), shows it is evident that market reform continues to struggle as the GOC continued to release notices about accelerating and expanding the market liberalisation of the energy market.
268. Again, in [the Notice of the Development and Reform Commission of Guangdong Province on further deepening the reform of electricity prices in our province \[2021\]](#) and the notice [Cancel the price of electricity in the industrial and commercial catalogue 29 provinces and cities have successively implemented electricity price reform \(with the latest electricity price list\) \[2021\]](#), both evidence the GOC role in electricity pricing structures.
269. The regulations and notices affecting the energy provision industry within the PRC and our review of available information on the provision of energy indicates an ongoing level of integration between energy company decision making and the policies and guiding plans of the GOC.
270. Multiple regulations grant the GOC the ability to influence price lists for energy based on state-led policies. Although we have limited information on the implementation of state regulations and policies by individual energy providers, the absence of such information regarding the implementation of energy policies

as directed by GOC regulations does not dismiss the implications of the evidence we have identified that direct the behaviour of the energy market in the PRC, as described in regulation 20(1)(e) of the Regulations.

271. We have determined that the GOC directly and indirectly influences the activity of energy providers in the PRC, which results in the provision of goods at LTAR. As the central government of the PRC, we consider the GOC to be a foreign authority, as defined in para 3(4) of Schedule 4 to the Act. We have therefore concluded that any energy provided to OFC producers in the PRC at LTAR, represent a financial contribution by a foreign authority, as per regulation 20(1)(c) of the Regulations.

### **F8.3. Conferring a benefit**

272. Having determined that the provision of energy to OFC producers constitutes a financial contribution by a foreign authority (detailed above) in the form of the provision of a service other than general infrastructure, we examined whether energy provision conferred a benefit, in line with regulations 21(1) and 21(8) of the Regulations. For the purposes of regulation 21(11) of the Regulations, we also considered whether the prevailing market terms and conditions of energy provision in the PRC were an appropriate benchmark. We reviewed the submissions made by all parties when performing these assessments.

273. Several of the notices highlighted above also provided evidence of energy being provided to industries at LTAR. The [Notice of the National Development and Reform Commission on Reducing Electricity Costs of Enterprises in Stages to Support the Resumption of Work and Production of Enterprises \(Fa Gai Price \[2020\] No. 258\)](#) was identified as providing such evidence. This notice, issued by the National Development and Reform Commission of the PRC explicitly outlines several measures to reduce electricity prices. Although the price-control measures included in this noticed expired immediately prior to the beginning of the POI, it does indicate that the GOC supervises and directly implements

changes to the energy market and has granted beneficial pricing to consumers compared with those that would have otherwise been present in the energy market in the PRC.

274. Further evidence of the provision of energy conferring a benefit comes from [Development and Reform Operation \[2018\] No. 1027](#). In this notice, published by The National Development and Reform Commission of the PRC and the National Energy Administration of the PRC, explicit reference is made to subsidisation within the energy market in the PRC. This notice indicates that its function is to increase market-orientated pricing in the PRC. One of the articles included indicates the benefits associated with being able to access market-orientated electricity trading, including explicitly referencing cross-subsidisation, the process of charging one group of consumers a higher amount to reduce the prices paid by another. The subsequent articles in the notice indicate that participating in the market-driven pricing is beneficial to eligible companies, with referencing to support for high-end manufacturing and allowing “priority users” to enter the market. These references are indicative that the cross-subsidisation that occurs in the energy market is beneficial to companies that are permitted access to the market-orientated pricing, with users referred to as “high-value added emerging industries” and “priority users”. Although this notice was published prior to the POI, we consider that, in the absence of any specific expiry notice, that such notices would have remained in effect during the POI.
275. We consider that the provision of energy to OFC producers in the PRC could be provided at LTAR (regulation 21(8) of the Regulations), thereby conferring a benefit to producers of OFC. However, we have examined this further in F8.2.4 Benchmarking.
276. In addition to the under-pricing of energy, we have also determined that significant distortions in the energy market in the PRC. Multiple industries are placed at a significant disadvantage regarding the terms under which they access energy in the PRC. Article 19 of the [Decision of the State Council on Promulgating and](#)

[Implementing the "Interim Provisions on Promoting Industrial Restructuring" \(Guo Fa \[2005\] No. 40\)](#) indicates that, for industries classified as “eliminated”, “the national price authority may increase the price of electricity”. Further, for these industries, “Power supply enterprises shall stop supplying electricity according to law”. Additionally, the [Notice of the Development and Reform Commission of Guangdong Province on further deepening the reform of electricity prices \(Yue Fa Gai Price \[2021\] No. 402\)](#) provides evidence that market reforms to the energy market in the PRC are incomplete. Article 4 of this notice is entitled “promote industrial and commercial users to enter the market”, and indicates that, “Users who have not yet entered the market, users of 10 kV and above should all enter, and other users should also enter as soon as possible”. These references to increasing the number of energy users participating in market-based electricity purchases demonstrate that a significant number of users were involved in non-market electricity pricing; this notice was published in October 2021, indicating that this was the case in Guangdong (where the SDG Group is located) during the POI.

277. These effects represent significant distortions within the electricity market in the PRC; as such, we consider that the prevailing market terms and conditions for electricity in the PRC are not an appropriate benchmark to determine the benefit conferred by the provision of energy at LTAR. Consequently, in such calculations, we will use the terms and conditions prevailing in the market of another foreign country, which would be available to the recipients, as per regulation 21(11)(b) of the Regulations.
278. Although the financial contribution of the provision of energy to OFC producers in the PRC is capable of conferring a benefit on a recipient (regulation 21(8) of the Regulations), no benefit has been found in the case of the SDG group in the POI and this is considered further below in F8.2.4 Benchmarking. Owing to this capability, we will discuss specificity for completeness of our analysis in this area.

## F8.4. Specificity

279. The [Notice of the National Development and Reform Commission on Phased Reduction of Enterprises' Electricity Costs to Support Enterprises' Resumption of Work and Production \(Fagai Price \[2020\] No. 258\)](#) and its extension notice indicate that the GOC supervises and directly implements changes to the energy market and has granted beneficial pricing to planned industries several times.
280. The [Notice of the National Development and Reform Commission \[2019\]](#); [the Decision of the State Council on promulgating and implementing the Interim Provisions on Promoting Industrial Restructuring \[2005\]](#), and the [Notice of the Development and Reform Commission of Guangdong Province \[2021\]](#), all state negative consequences for industries that are being phased out or are not being encouraged by GOC central planning which provides a relative benefit of staying within the GOC industrial planning. The [Catalogue for the Guidance of Industrial Structure Adjustment](#) includes lists of industries that are classified as encouraged, restricted and eliminated. The catalogue provides clear evidence that OFC producers in the PRC are an encouraged industry, fitting within several categories of encouraged industries included in the catalogue. Consequently, we can conclude that the OFC industry has not been targeted by these negative consequences as a discouraged industry.
281. The benefits of being part of an industry encouraged by GOC policies, and the explicitly specific targeting of these benefits are further evidenced in the [Development and Reform Operation \(2018\) No. 1027](#), published by The National Development and Reform Commission of the PRC and the National Energy Administration of the PRC. As noted above with regard to the benefit conferred, the “market-orientated transactions” to which the publication refers include cross-subsidisation, whereby prices are structured to the benefit of certain customers at the expense of others. This notice also explicitly states that specific industries should be supported in participating in these transactions, with reference made to supporting “high-value-added emerging industries such as high-tech, Internet, big

data, and high-end manufacturing”. As established above for preferential tax rates, OFC producers in the PRC can qualify as HNTes, which we consider would be included within the “high-tech” industries reference in Development and Reform Operation (2018) No. 1027. Consequently, we consider that OFC producers are explicitly included among the electricity users on which the market-orientated transactions confers a benefit.

282. We have also found several instances where OFC is described as an encouraged industry, thereby qualifying for other benefits as described in the aforementioned notices. [The Opinions on Promoting the Construction of Optical Fiber Broadband Network. Gongxinbu Liantong \[2010\] No. 10](#) states that construction, research and development of optical fibre cable networks is an encouraged industry. [Encouraged industries from the National Development and Reform Commission revised and issued the Catalogue for the Guidance of Industrial Structure Adjustment \(2019 version\)](#) states that industries such as broadband network infrastructure and optical fibre networks are encouraged industries, both of which indicate OFC remained an encouraged industry for a prolonged period of time with no indication it would be removed. If OFC remains an encouraged industry, this qualifies it for additional support as referenced in several publications by the PRC, such as the [notice](#) from the National Development and Reform Commission and the National Energy Administration, or the notice [‘Cancel the price of electricity...\[2021\]’](#).
283. We have determined that the provision of energy for LTAR is explicitly specific, with regard to regulation 22(2)(a)(i) of the Regulations, in terms of only being available to certain groups of enterprises which include OFC producers in the PRC. We have identified several GOC publications stating that OFC is an encouraged industry, with GOC publications outlining specific benefits in the form of energy for LTAR for those encouraged industries. We have also found several GOC publications that show disincentivised processes and industries experiencing price rises or withdrawal of energy provision, which provides a further relative advantage to encouraged industries.

## **F8.5. Conclusion on countervailability**

284. We have identified that there is a financial contribution by a foreign authority with regard to the provision of energy to OFC producers in the PRC, and that this confers a benefit to the recipients. Consequently, we have concluded that the provision of energy at LTAR is a subsidy (paragraph 3(3)) of Schedule 4 to the Act). We have found this subsidy to be specific. The benefit from the provision of energy at LTAR supports the daily business operations of OFC producers and so is granted directly or indirectly for the manufacture, production, export or transport of goods. Consequently, the provision of energy at LTAR constitutes a countervailable subsidy (paragraph 3(2) of Schedule 4 to the Act).

## **F8.6. Benchmarking**

285. As with our benchmarks for other areas of this investigation, we identified Türkiye as a suitable benchmark country to compare energy prices. We compared the electricity prices paid by a sample of OFC producers in Türkiye to the prices paid by participating exporters. This comparison indicated that no benefit was received by the SDG Group from electricity purchases in this instance. Therefore, no further calculations were undertaken regarding this subsidy.

## **F9. Export Credit Insurance**

286. We have assessed whether export credit insurance was provided by China Export and Credit Insurance Corporation (Sinasure) to the OFC industry in the PRC at premiums that are LTAR and, if this constituted a countervailable subsidy.

## F9.1. Relevant laws, regulations, and guidelines

Table 11: Laws, regulations, and guidelines applicable to export credit insurance

Relevant Law/Regulation/Guidelines	Applicable Article
<a href="#">Notice of the Ministry of Commerce and the China Export and Credit Insurance Corporation on the use of export credit insurance to implement the strategy of invigorating trade through science and technology</a>	Article 2
<a href="#">Circular on further giving play to the role of export credit insurance and accelerating the high-quality development of commerce jointly issued by the Ministry of Commerce and the China Export and Credit Insurance Corporation</a>	
<a href="#">Catalogue of Chinese New and High-tech Export Products (2003)</a>	
<a href="#">Decision of the State Council on Accelerating the Cultivation and Development of Strategic Emerging Industries Guo Fa [2010] No. 32</a>	Article 6(3)
<a href="#">Ministry of Commerce, Development and Reform Commission, Ministry of Science and Technology, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Environmental Protection, General Administration of Customs, State Administration of Taxation, General Administration of Quality Supervision, Inspection and Quarantine, Intellectual Property Office. Guiding opinions on promoting the internationalization of strategic emerging industries. Shangsanza (2011) No. 310</a>	
<a href="#">Opinions of the Ministry of Commerce, the Ministry of Science and Technology, and the China Export and Credit Insurance Corporation on the use of credit insurance to support the</a>	Article 5

<a href="#">national science and technology invigoration and trade innovation base</a>	
<a href="#">Ministry of Commerce China Export and Credit Insurance Corporation on increasing export credit insurance support Do a good job in cross-cycle adjustment and further stabilize foreign trade. Shang Cai Han (2022) No. 54</a>	Article 1
<a href="#">Notice on the issuance of the 2006 edition of the "Export Catalogue of China's High-tech Products" Guoke Fa Jizi [2006] No. 16</a>	
<a href="#">Opinions on Promoting the Construction of Optical Fiber Broadband Networks. Gongxinbu Liantong (2010) No. 105</a>	
<a href="#">Notice of the State Council on Printing and Distributing "Made in China 2025". Guo Fa (2015) No. 28</a>	Article 4(3)

## F9.2. Financial contribution by a foreign authority

287. The joint [Notice](#) in 2004 from MOFCOM and Sinosure on the use of export credit insurance to implement the strategy of invigorating trade through science and technology references “Provinces, autonomous regions, municipalities directly under the Central Government and municipalities in charge of commerce, China Export and Credit Insurance Corporation branches,” which indicates that Sinosure functions directly under the guidance of the Central Government of the PRC.
288. MOFCOM and Sinosure jointly issued a [circular](#) on the role export credit insurance has on accelerating the high-quality development of commerce again in 2021. This appeared to be an update to the above notice and highlights the collaboration of MOFCOM and Sinosure regarding the role of export credit insurance within “competent departments of commerce of all provinces, autonomous regions, municipalities directly under the Central Government, cities with separate planning status and the Xinjiang Production and Construction Corps, and the business institutions of the China Export and Credit Insurance

Corporation.” It also highlights the longevity of this association, with at least 17 years of connection including the year of the POI.

289. The joint notice referenced in the above paragraph from MOFCOM and Sinosure states that “Sinosure should increase its support for key industries and products” and provides an accompanying [catalogue](#) specifying the relevant industries.
290. Numerous sections of Sinosure’s own [company profile](#) indicate not only the company’s position as a state-owned institution but that it is vested with authority to exercise governmental functions through its integrated policy and suggest that the company’s export credit insurance programme acts as a function by a foreign authority. It is stated that “Since the 18th National Congress of the Communist Party of China, Sinosure has always adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the spirit of General Secretary Xi Jinping's important instructions and the decision-making and deployment of the Party Central Committee and the State Council...closely followed the positioning of policy functions...”
291. Sinosure states that it is “a policy-oriented financial institution established to meet the demands of economic globalization and the development of China’s foreign economy and trade, will closely focus on the goal of serving the national strategies” and that since the 2021 National Congress of the CPC, it has “earnestly implemented the decision-making and deployment of the Party Central Committee on targeted poverty alleviation and poverty alleviation...”
292. Additionally, a [press release](#) related to the work of the Party Committee of Sinosure identifies references to the close integration of government policy and decision making within Sinosure’s operations and activities:
293. “As a central financial institution, especially a policy company, [Sinosure] must raise its political standing and quickly unify its thinking and actions with the central government's decision-making and deployment of economic work.”

294. “Leading cadres at all levels of Sinosure should put political construction in the first place, be good at observing and analyzing economic and social issues from a political perspective, and really do solid work to implement the decisions and arrangements of the Party Central Committee in all aspects of economic work.”
295. We also reviewed publicly available information relating to the leadership of Sinosure from the [“Company leadership”](#) section of its website. From this information, we identified that all but one of the individuals concerned had a direct affiliation to the CPC; these included being members of the CPC Party Committee of Sinosure and activity within the Discipline Inspection and Supervision Team of the Central Commission for Discipline Inspection and the State Supervision Commission stationed in Sinosure
296. The notices and published opinions relating to Sinosure, and our review of publicly available information on Sinosure indicates the integration of Sinosure’s decision making and the policies and guiding plans of the GOC. Sinosure does not refer to policies of the GOC in advisory terms; Sinosure’s company profile openly states that it will “resolutely implement” the decision-making and deployment of the Party Central Committee and the State Council, and that it has “earnestly implemented the decision-making and deployment of the Party Central Committee” regarding other policies of the CPC.
297. We conclude Sinosure is a public body and, consequently, a foreign authority within the meaning of para 3(4) of Schedule 4 to the Act. The joint notices identified above refer to China Export and Credit Insurance Corporation branches directly alongside “municipalities directly under the Central Government and municipalities in charge of commerce”. Sinosure is identified as a “a state-owned policy insurance company” in its own company profile and we have established that the CPC occupy the majority of senior leadership positions with Sinosure.
298. As a service other than general infrastructure, we consider the provision of export-credit insurance by Sinosure constitutes a financial contribution by a foreign authority, in line with regulation 20(1)(c) of the Regulations.

### F9.3. Benefit conferred

299. Within the joint [Notice](#) from MOFCOM and Sinosure on the use of export credit insurance to implement the strategy of invigorating trade through science and technology, we noted multiple instances indicating that Sinosure provides export credit insurance with premiums at potentially LTAR. The notice states that support for the export of high-tech products should be strengthened, with the “China High-tech Products Export Catalogue” used as a guide to the relevant exports. Within the 2003 version of this catalogue, we identified two entries that would apply to the goods concerned, which would be included under the commodity code category 85447000. This notice also indicates that, within a floating insurance premium rate range, products within the catalogue shall receive “the highest preferential treatment”.
300. In further support of this assertion, [Decision of the State Council Guo Fa \(2010\) No. 32](#) refers to the improvement of export credit as part of, “active support for key products, technologies and services in strategic emerging industries to open up international markets”. Similarly, [guiding opinions on promoting internationalization Shangsanya \(2011\) No. 310](#) indicates that export credit insurance should be used in the promotion of international development of strategic emerging industries in the PRC. The document makes reference to the provision of active support to key industries, such as high-end equipment manufacturing.
301. The joint [Opinions of MOFCOM, the Ministry of Science and Technology, and Sinosure on the use of credit insurance to support the national science and technology invigoration and trade innovation base](#), refers explicitly to an “active underwriting policy for high-tech enterprises applying for credit insurance” and states that Sinosure deploys an “active special underwriting policy for international and domestic trade of high-tech enterprises, and gives preferential underwriting conditions to high-tech enterprises”.

302. More recently guidance by [Shang Cai Han \(2022\) No. 54](#), jointly issued by MOFCOM and Sinosure, indicates that all Sinosure business offices should increase “support for green and low-carbon products, strategic emerging industries, and high-tech products”. The nature of the increased support is not explicitly stated in this notice; however, we consider that, in light of the content of the previous notices, including the 2008 opinion also issued jointly by MOFCOM and Sinosure mentioned in the previous paragraph, that “increased support” would include the provision of preferential underwriting for high-tech enterprises such as OFC producers.
303. From our assessment of the laws, notices and opinions identified during our investigation, we have determined that Sinosure provides export credit insurance to OFC producers in the PRC at premiums that confer a benefit by way of being potentially provided at LTAR with regard to regulation 21(8) of the Regulations. No benefit has been found in the case of the SDG group in the POI and this is considered further below, within ‘amount of benefit conferred’.
304. Further, we have determined that it would not be appropriate to use the prevailing market terms and conditions for export credit insurance in the PRC as a benchmark with regard to regulation 21(11) of the Regulations. Sinosure occupies a preeminent position in the export credit market in the PRC. Additionally, we noted that, in addition to referring to Sinosure, the guidance by Shang Cai Han (2022) No. 54, also specifically refers to the CITIC Insurance Corporation, a commercial bank in the PRC, indicating that “All business institutions of CITIC Insurance Company should effectively play the role of policy-oriented financial institutions”. Taken together, we consider that this demonstrates that the prevailing market terms and conditions for export credit insurance in the PRC are not an appropriate benchmark and we will use the terms and conditions prevailing in the market of another foreign country as an appropriate benchmark to calculate any benefit conferred as per regulation 21(11)(b) of the Regulations.

## F9.4. Specificity

305. As noted in above, OFCs are listed in the [Catalogue of Chinese New and High-tech Export Products \(2003\)](#). OFCs are also listed as high-tech products in the 2006 version of the [Export Catalogue of China's High-tech Products](#). This indicates that the OFC industry is a promoted and preferential industry in the PRC and as such, this industry has received subsidies through preferential export credit insurance as a means of encouraging the industry.
306. OFCs continued to be considered high-tech products in 2010 when the PRC State Council issued [Opinions on Promoting the Construction of Optical Fiber Broadband Networks](#), which highlights the State Council is actively promoting the growth of the OFC industry. In 2015, the State Council issued the [Notice of the State Council on Printing and Distributing "Made in China 2025"](#), which outlines the 10-year plan to promote scientific and technology developments. Both of these regulations further underline the OFC industry's privileged position with the PRC's policymaking and demonstrate that this position has been in place over a long period of time with no new information or legislation known to have removed OFC products from the high-tech product index. With this in mind, we have judged OFCs' position in the Export Catalogue of China's High-tech Products to still be relevant and accurate.
307. As mentioned in above, export credit insurance is used to support high-tech enterprises, which includes OFCs. In [Article 1](#), published in 2022 it states that the policy issued jointly by MOFCOM and Sinasure ensures an "Increase support for green and low-carbon products, strategic emerging industries, and high-tech products." These sources demonstrate that it is a GOC policy decision to use export credit insurance as a means of promoting the OFC industry. Within the same reasoning, a section of [Sinasure's 2020 Annual Report](#) detailing the company's performance review states that it is "effectively protecting exports to key markets and trade in key industries."

308. We consider that the combination of these legal provisions and guiding documents provides clear evidence that the provision of export credit insurance is explicitly specific in nature, in line with regulation 22(2)(a)(i) of the Regulations.

### **F9.5. Conclusion on countervailability**

309. We have identified that there is a financial contribution by a foreign authority with regard to the provision of export credit insurance at LTAR to OFC producers in the PRC, and that this confers a benefit to the recipients. Consequently, we have concluded that any provision of export credit insurance at LTAR is a subsidy (paragraph 3(3)) of Schedule 4 to the Act). We have found this subsidy to be specific. Any benefit from the provision of export credit insurance at LTAR would support the daily business operations of OFC producers and so would be granted directly or indirectly for the manufacture, production, export or transport of goods. Consequently, any provision of export credit insurance at LTAR constitutes a countervailable subsidy (paragraph 3(2) of Schedule 4 to the Act).

### **F9.6. Amount of benefit conferred**

310. In line with regulation 24(1) of the Regulations, the total amount of countervailable subsidy for the export credit insurance purchased was calculated. This was calculated as the difference between the premium paid by SDG and a benchmark premium, for each export credit insurance policy that was relevant to the POI. We identified a suitable benchmark country to evaluate the terms and conditions prevailing in the market that would be available to the recipients in line with regulation 21(11)(b) of the Regulations.

311. In line with our benchmarks from other areas of this investigation, we identified Türkiye as a suitable benchmark country. However, we were not able to obtain a benchmark from the Export Credit Bank of Türkiye due to them failing to engage with the investigation and had to source an appropriate benchmark from another source. We obtained a benchmark premium from the New Zealand Export Credit

Office based on the terms of the export credit insurance received by SDG during the POI. We compared the insurance premium paid by the SDG Group against the benchmark rate. This comparison indicated that no benefit was received by the SDG Group from export credit insurance during the POI. Therefore, no further calculations were undertaken regarding this countervailable subsidy.

## **F10. Volume of subsidised goods**

312. Under regulation 5(3) of the Regulations, the volume of subsidised imports is “negligible” where the exporting country is a developing country, and the exports account for less than 4% of imports of the like goods imported into the UK.
313. HM Revenue and Customs (HMRC) data indicates that the goods concerned accounted for 18.8% of all imports of like goods into the UK in the POI, so the volume of imports is more than negligible (4%).

## **F11. Conclusions and findings**

314. We identified the following subsidy schemes within the investigation that are able to benefit OFC producers within the PRC:
- Grants
  - Preferential tax rates
  - Preferential financing)
  - Provision of goods at LTAR
315. Table 12 below, highlights the countervailable subsidy schemes that have contributed to the subsidy amount and the relevant percentages. The subsidy amount is shown as N/A where no countervailable subsidy was found for the SDG Group. Individual amounts for each subsidy have been recorded at four decimal

points to give a true reflection of the total. The total subsidy amount applicable to the SDG Group, was calculated to be 10.62%.

*Table 12: Subsidy amounts applicable to the SDG Group*

Subsidy type	Subtype	Subsidy amount
Grants		0.2678%
Preferential tax rates	Enterprise income tax of 15% for HNTEs	0.5045%
	R&D tax offset	N/A
	Accelerated depreciation	N/A
Preferential financing	Loans	9.0646%
	Credit line fees	0.1173%
Provision of goods at LTAR	Land use rights	0.6726%
	Raw materials	N/A
	Energy	N/A
Export credit insurance		N/A
<b>Total</b>		<b>10.62%</b>

316. Based on the above findings, we concluded that:

- The goods concerned have been imported into the UK and are in receipt of countervailable subsidies;
- the amount of subsidy is more than minimal; and
- the volume of subsidised goods (actual or potential) is more than negligible.

## **F12. Subsidy amounts**

317. We have determined that the sampled exporters received subsidies during the production and sale of OFC that were imported into the UK during the POI. Using

the information available, we were able to calculate an individual subsidy amount for the SDG Group in accordance with regulations 23-26 of the Regulations.

318. In line with regulation 37(2), owing to having limited our examination through sampling (regulation 57(1)(a) and 57(2)(b) of the Regulations), we must determine the subsidy amount for non-sampled overseas exporters. In line with regulation 37(3), this should be the weighted average of the amounts determined for the overseas exporters in the sample. Since the two sampled overseas exporters that participated in the investigation are closely aligned as associated parties and a partial subsidiary as described in [C2.2. Exporters/Producers from the PRC](#), the relevant non-sampled subsidy amount cannot be a weighted average amount and is therefore also 10.62%.
319. In line with regulation 38(1), we must determine a subsidy amount for overseas exporters where we have not determined an individual subsidy amount and the exporter is not a non-sampled overseas exporter within the meaning of regulation 37. We considered the audited financial statements from the POI for other OFC producers in the PRC to be a suitable source of information as per regulation 38(4)(b) of the Regulations. The financial statements disclosed details of government grants, annual amortization charges in relation to land use rights, and income tax expenses. We estimated subsidy amounts where the financial statements contained sufficient information, based on the subsidy amounts we calculated for the SDG Group. Where there was insufficient detail, we included the subsidy amount calculated for the SDG Group. This is termed the residual amount and is set at 11.79%. Table 13 below, highlights the countervailable subsidy schemes that have contributed to the residual amount and the relevant percentages.

*Table 13: Residual subsidy amount*

Subsidy type	Subtype	Residual subsidy amount
Grants		0.4051%

Preferential tax rates	Enterprise income tax of 15% for HNTes	0.7843%
	R&D tax offset	N/A
	Accelerated depreciation	N/A
Preferential financing	Loans	9.0646%
	Credit line fees	0.1173%
Provision of goods at LTAR	Land use rights	1.4213%
	Raw materials	N/A
	Energy	N/A
Export credit insurance		N/A
<b>Total</b>		<b>11.79%</b>

320. The subsidy amount for the SDG Group, the non-sampled exporters/producers and the residual rate is stated in table 14 below.

*Table 14: Subsidy amount*

Overseas Exporter/Producer	Participation	Subsidy amount
Shenzhen SDG Information Co., Ltd	Co-operating	10.62%
Shenzhen SDGI Optical Network Technologies Co., Ltd	Co-operating	10.62%
Hengtong Optic-Electric co. Ltd.	Non-sampled	10.62%
Jiangsu Fasten Optical Cable Co., Ltd.	Non-sampled	10.62%
Ningbo Geyida Cable Technology Co.,Ltd	Non-sampled	10.62%
Shanghai Wanbao Optical Technologies Co. Ltd	Non-sampled	10.62%
Suzhou Furukawa Power Optic Cable Co.,Ltd.	Non-sampled	10.62%
XDK Communication Equipment Huizhou Co., Ltd.	Non-sampled	10.62%
ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	Non-sampled	10.62%

FibreHome Telecommunication Technologies Co Ltd	Non-sampled	10.62%
All other overseas exporters (residual amount)		11.79%

## **Double remedies**

321. This investigation was carried out in parallel with a separate anti-dumping investigation (AD0021) concerning the goods concerned originating from the PRC, in which the TRA is intending to recommend imposing anti-dumping measures at the level of the dumping margin. We did not identify any countervailable subsidies within this investigation that also formed the basis of adjustments that have been made when constructing the normal value within the dumping investigation. Therefore, there has been no offsetting of the same subsidisation twice (double remedies).

## Section G: Injury

### G1. Introduction to injury

322. In accordance with Paragraph 11(2) of Schedule 4 to the Act, in order to make an affirmative determination, the TRA is required to determine whether:

- a) goods have been or are being imported into the United Kingdom and are subsidised, and
- b) the importation of the subsidised goods has caused or is causing injury to a UK industry in those goods.

323. Under regulation 27(2) of the Regulations, where the TRA has determined that goods that have been or are being imported into the United Kingdom benefit from a countervailable subsidy, it must determine whether the UK Industry has suffered or is suffering injury; and whether the subsidised imports have caused or are causing that injury to that UK Industry.

### G2. Injury analysis

324. For the purposes of this assessment and in line with Paragraph 5 of Schedule 4 to the Act, 'injury' to the UK industry from the goods concerned means:

*“(a) material injury, or the threat of material injury, to the industry, or*

*(b) material retardation of the establishment of the industry...”*

325. To determine whether a UK industry is suffering or has suffered injury from subsidised imports of the goods concerned, in line with regulation 30 of the Regulations, we examined the following:

- the volume of the subsidised imports during the IP;

- the effect of the subsidised imports on prices of the like goods in the UK market during the IP;
- the consequent impact of the subsidised imports on the UK industry during the IP; and
- any other factors we considered relevant.

326. This has involved assessing 15 injury factors during the course of the investigation.

327. As mentioned in paragraph 46, CCCME's questionnaire submission contained numerous comments on the causes of injury to the UK industry, with particular reference to other known factors. We have taken these comments into consideration within this section. To determine whether the subsidised imports have caused or are causing injury to UK industry, in line with regulation 35 we have also examined whether any known factors other than the subsidised imports (other known factors) have caused or are causing injury to a UK industry. We considered the following factors:

- the economic impact of the COVID-19 pandemic;
- third-country imports and prices;
- Brexit; and
- Self-inflicted injury.

## **G3. Considerations of the injury and causation analysis**

### **G3.1 HMRC Import Statistics**

328. The TRA used the official import statistics published by HMRC for analysis of the volume of imports. The official import statistics published by HMRC report import

volumes in kilograms (kg). Interested parties stated that this unit of measurement is not suitable for a proper measurement of the volumes of the goods.

Additionally, while HMRC import statistics provide an accurate picture of the trend of UK imports of OFC, the goods imported into the UK under the commodity code 8544 70 00 do not contain only single mode optical fibre cables, therefore an adjustment was necessary to determine the volume of imports of OFC more accurately. CRU data was used to estimate the size of the UK market in terms of fkm and the percentage of imports.

329. In order to evaluate the volume of imports of the goods concerned in fkm, the ratio of the volume of goods concerned to the total volume of UK imports was calculated using HMRC UK Statistics. In 2021, the volume of goods concerned represented 18.8% of total UK imports. This 18.8% ratio was applied to the CRU data on consumption of single mode OFC in the UK to estimate the volume of goods concerned during 2021 in fkm. The same methodology was used to estimate the volume of Chinese imports for 2018, 2019 and 2020.

#### **G4. Volume of subsidised imports from PRC**

330. In order to confirm if subsidised imports may be injuring the UK Industry, we examined the trends in the volume of subsidised imports entering the UK market (absolute changes). We also compared the volume of subsidised imports entering the UK market to both the size of the UK market and the level of UK production (relative changes). A high level of imports, or increasing levels of imports, may indicate that the injury is being caused by these imports.
331. In accordance with regulation 31 of the Regulations, when considering the volume of subsidised imports during the IP for the purpose of regulation 30(2)(a) of the Regulations, we have considered whether there has been a significant increase in the subsidised imports either in absolute terms or relative to domestic production or consumption.

332. The following table shows the significant increase in the volume of imports of OFC from the PRC into the UK during the POI.

*Table 15: The volume of imports of OFC from the PRC – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
Import volume (fkm)	120,962	102,868	159,417	535,565
Import volume index	100	85	132	443

*Source: HMRC*

333. Whilst there was a slight decrease in import volume in 2019 compared with 2018, there was an increase of 47% from 2019 to 2020 and a much greater increase in 2021, the POI. Overall, there was a significant increase of 343% from 2018 to 2021 and therefore the TRA have concluded that PRC imports have shown significant increased UK OFC market penetration throughout 2020 and 2021.

334. The following table shows the significant increase in goods concerned during the POI relative to UK industry production which had been in decline.

*Table 16: Import volume (fkm) of OFC from the PRC in relation to UK production - 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
UK industry production (indexed)	100	92	84	93
Imports from PRC relative to UK industry production (%)	8	8	13	39

*Source: The Applicant's submissions and HMRC*

335. Every year throughout the IP has seen a reduction in UK industry production level when compared to the 2018 level. However, it is the PRC imports relative to UK industry production that highlight the growing market influence of imports from the PRC, increasing from 8% to 39% over the IP.

336. The following table shows that the significant increase in volume of goods concerned during the latter part of the IP, is beyond the rate of increase in the UK consumption of OFC overall.

*Table 17: Import volume (fkm) of OFC from the PRC in relation to UK consumption, UK industry sales and total import volume (fkm) from third countries - 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
UK consumption of OFC (indexed)	100	108	103	142
UK industry sales (Indexed)	100	125	110	127
Imports from the PRC (Indexed)	100	85	132	443
Imports from third countries (Indexed)	100	106	99	121

*Source: The Applicant's submissions and HMRC*

337. UK consumption is calculated on HMRC import volumes of like goods from all countries and the domestic sales volumes provided by the UK industry.
338. UK consumption of OFC increased by 42% during the IP. During the same period, UK industry sales increased by 27%; less than the growth in overall UK consumption. In contrast, imports from the PRC increased by 343% over the IP. This sharp absolute increase in imports and the resultant significant increase relative to UK production has prevented the UK industry from benefitting from the increase in consumption of OFC over the IP.
339. The increase in the volume of third country imports during the IP of 21% is a comparable level to the volume increase seen in UK industry sales. This growth in third country imports (discussed in more detail in G7.1 Third-country imports and prices and prices) is far below the rate at which imports from the PRC increased during the same period and below the rate of overall UK consumption. Therefore,

the TRA has concluded that imports from the PRC have benefited from the growth in UK consumption to a greater extent than imports from third countries.

## **G5. Effect of the imports on prices in the UK market for like goods**

340. To determine whether subsidised imports of the goods concerned have affected UK prices of the like goods, in accordance with regulation 32 of the Regulations, we have considered whether:

- (a) prices of the subsidised imports are significantly undercutting prices of the like goods produced in the UK; or
- (b) the subsidised imports have significantly depressed or suppressed domestic prices of the like goods produced in the UK.

### **G5.1 Undercutting analysis**

341. Price undercutting is where the goods concerned are consistently sold at a price below that of the like goods in the UK.

342. To establish whether this has been occurring we used POI data and compared the average landed price of the goods concerned with the average domestic sales prices of the like goods at an ex-works level. To ensure price comparability, we adjusted where needed.

343. We identified that the overseas exporters exported 17 different PCNs to the UK during the POI. The TRA identified eight PCNs which were both produced by the UK industry and exported to the UK by the two participating overseas exporters. The selected eight PCNs represented 78% of the total import volume and 89% of the total import value of UK sales for the overseas exporter. The PCNs represent 17% of the total volume and 4% of the total value of all imports of goods concerned from the PRC.

344. During verification, we identified inconsistencies in the overseas exporter allocation of certain goods to PCNs. We reallocated PCNs from the overseas exporter, which impacted the undercutting margin.
345. We calculated an average undercutting margin covering the eight PCNs and found an undercutting margin of 39.4% during the POI.

## G5.2 Price depression

346. Price depression occurs when the UK industry is forced to reduce prices to compete with lower priced subsidised imports.
347. The following table compares the average sales price of the UK industry like goods to the average import price of the goods concerned to establish whether there was price depression during the injury period.

*Table 18: Average UK industry OFC sales price and average import price of goods concerned - 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Average UK Industry price (Indexed)	100	93	92	80
Average goods concerned import price (Indexed)	100	130	86	56

*Source: The Applicant's submissions and HMRC*

348. The average price of the goods concerned declined by 44% over the IP. During the same period, the average UK industry sales price declined by a smaller margin of 20%. When taken into consideration alongside the increased volume of imports of the goods concerned (See [G4. Volume of subsidised imports from PRC](#)), it appears that the UK industry is facing downward price pressure, forcing it to reduce prices to levels that it claims are unsustainable for its business operations.

## **G6. Impact of the subsidised imports on the UK industry**

349. Having found evidence of a relative increase in import volumes and of price undercutting leading to price depression, we then assessed the impact this has had on the UK industry.
350. In accordance with regulation 33 of the Regulations, in considering, for the purpose of regulation 30(2)(c), the consequent impact of the subsidised imports on the UK industry, we must take into account all relevant macroeconomic and microeconomic factors and indices having a bearing on the UK industry including:
- (a) actual and potential decline in sales, profits, output, market share, productivity, return on investments or utilisation of capacity;
  - (b) factors affecting domestic prices of the like goods; and
  - (c) actual and potential negative effects on cash flow, inventories, employment, wages, growth, the ability to raise capital or investments.
351. The following sections will address each of these factors in turn before undertaking a holistic assessment of the impact on UK injury.

### **G6.1 Sales**

352. To assess whether the UK industry has been injured or is being injured, we assessed whether there has been a decline in both the volume and value of sales. A decline in domestic sales may be an indicator that the UK industry is suffering injury.
353. The following table shows the lack of correlation between the volume and value of UK industry domestic sales of like goods during the IP.

*Table 19: UK industry domestic sales volume and value – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
Sales volume (Indexed)	100	125	110	127
Sales value (Indexed)	100	116	100	98

*Source: The Applicant's submissions*

354. There had been an upwards trend in the UK industry sales volume during the initial stages of the IP. Sales increased in 2018 to 2021 by 27% but the increase was significantly less than the increase in overall consumption of 47% in the UK.
355. UK industry sales value also initially followed a similar trend as sales volume increasing from 2018 to 2019; however, as sales volume increased in 2021, sales value did not follow a similar trend. As the volume of goods concerned increased significantly during 2021, UK industry sales value remained static.
356. The lack of increase in value, in contrast to the increase in volume, is an indicator of injury and an indicator that the UK industry have reduced their prices to compete with the subsidised imports from the PRC who had the biggest increase in imports over the same period.

## **G6.2 Profits**

357. The following table shows the trend in the UK industry profit margin for the domestic sale of like goods since 2019.

*Table 20: UK industry domestic sales volume and value – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
Net profit margin Index	100	121	107	43

*Source: The Applicant's submissions*

358. There was a significant reduction in the profit margin of the UK industry during the POI, when compared with the rest of the IP. The UK industry aim for a minimum 15% net profit year-on-year, which is the average level shown in the applicant's figures during the 2018-2020 period. There is a requirement within the OFC industry to have a comfortable profit margin due to the industry being heavily investment driven, with significant financial resources spent on research and development. An example of the areas of investment is expanding technologies such as 5G networks.
359. Profit margins were at their highest for the UK industry in 2019 when Chinese imports had decreased by 15% from the previous year, which shows an inverse correlation between the two. While the total volume of sales for the UK industry was at its highest in the POI, this was not reflected in its profits, which were 57% down when compared to the start of the IP. This coincided with the large surge of imports of the goods concerned which appears to have pushed prices down and affected profit margins. The UK industry stated it has had to set prices so low in some instances that it could only cover costs, which is supported by the low profit margin in the POI.
360. The UK industry states within its [application](#) (Page 145) that it has had to accept loss-making parts of tenders to maintain its presence in the UK market as it bids with competition from the Chinese sector. This may become unsustainable for the UK industry in the long term if it continues. The decline in profits during the IP is a clear indicator of injury suffered by the UK industry.

### **G6.3 Market Share**

361. The following table shows the impact the increased volumes of OFC imports from PRC has had on UK market share throughout the IP.

*Table 21: Changes to UK market share for the UK industry, PRC imports and third country imports of OFC – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
Market share of UK industry (Indexed)	100	79	82	63
Market share of other UK producers (Indexed)	100	160	153	193
Market share of Chinese imports (Indexed)	100	72	98	219
Market share of third country imports (Indexed)	100	98	96	85

*Source: The Applicant's submissions and HMRC*

362. Market share is calculated by dividing the domestic sales volumes of the UK industry by the total UK consumption figures.
363. Throughout the IP, imports from the PRC have more than doubled their market share as shown in table 20, while the UK industry lost 37% of the market over the same period. The market share of third country imports also decreased but to a lesser extent than the UK industry.
364. During verification we were able to clarify that UK industry market share was based on UK production only and excluded any imported like goods. Due to the lack of participation from any other UK producer, 'other UK producers market share' has been calculated using CRU industry intelligence and we have been unable to verify the components of the data, in particular the proportion arising from imports. Therefore, although 'other UK producers' appear to have increased their market share over the IP and have not been affected by the increase in the goods concerned, a proportion of these goods may in fact be imports, a proportion of which may come from the PRC. The TRA can only reliably conclude

that the PRC market share increased considerably at the same time as the UK industry lost 37% share involving UK produced goods.

## G6.4 Growth

365. The applicant submitted its market share, production, sales and employment figures for each 12-month period of the IP. The trends for these factors can be seen in the following table.

*Table 22: UK industry growth indicators – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
UK OFC consumption (indexed)	100	108	103	142
UK industry domestic sales volumes (indexed)	100	125	110	127
UK market share (indexed)	100	79	82	63
UK production (indexed)	100	68	72	92
Employment (indexed)	100	91	99	107

*Source: The applicant's submission and non-published import data, provided by HMRC.*

366. We measured growth by comparing trends in total UK consumption of OFC with the UK industry domestic sales, UK industry's market share, production, and employment figures.
367. The UK OFC consumption has increased over the IP. The volumes of UK industry sales and employment also increased but significantly less than the increase in overall consumption.
368. The UK industry's market share and production have declined over the IP. It's clear that the increased consumption in the UK has not benefited the UK industry with regard to their market share. Similarly, although their domestic sales volume did grow over the IP we would expect to be at the same rate as consumption.

### G6.5 Productivity and employment

369. We assessed employment trends by analysing how the number of employees in the UK industry has changed throughout the IP. Productivity is measured by establishing the output (in this instance the UK industry used cable km (ckm)) per employee during the IP. The number of employees includes employees working on the production of like goods and employees working in operational and administrative roles linked to the production of like goods.

370. The following table shows the fairly steady trend in the UK industry employment for like goods production, with a significant reduction in productivity during 2019-2020.

*Table 23: UK industry employment for like goods and productivity – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Number of employees Index	100	91	99	107
Productivity (employees/output ckm) Index	100	75	73	87

*Source: The Applicant’s submissions*

371. Over the IP the UK industry saw an initial decrease in the number of employees working on or connected to the production of OFCs, before a recovery to a level 7% above the start of the period. However, as explained in [G4. Volume of subsidised imports from PRC](#)), capacity for the UK industry increased by a much greater extent, 39%, over the same period and was not utilised by the company as expected in line with the growth in UK consumption of OFCs due to loss of market share to the goods concerned.

372. Productivity during the POI increased by 14% between 2020 to 2021, which coincided with the largest increase in UK industry capacity. However, productivity

levels had already dropped 25% in 2019 and continued to struggle with low productivity levels at 13% below the 2018 mark at the end of the IP.

373. As UK consumption has increased over the IP, we'd expect to see the UK industry productivity to increase; however, it has decreased. The overall decrease of productivity coincides with the significant increase in PRC imports over the IP. However, UK productivity started to increase in the POI, when the goods concerned volume increased dramatically, therefore indicating that productivity is not a clear indicator of injury in this instance.

## **G6.6 Investments, return on investments and cash flows**

374. To assess whether UK industry is suffering injury, we considered whether there has been a decline in investments, a decline in return on investments (ROI) and decline in cash flow during the IP.
375. ROI measures business performance and earnings arising from investments. Cash flows and cash flow forecasts give us an overview of a business's capability to invest, maintain operations and grow. A decline in these factors may indicate the UK industry has suffered or is suffering injury.
376. The following table shows the trend increased trend in the UK industry investment and cash flow since 2018, with return on investments showing a downward trend since 2019.

*Table 24: UK industry investment, return on investments and cash flows connected to the like goods production during the injury period – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Investments Index	100	800	461	333
Return on investments Index	100	177	46	-119
Cash Flow Index	100	103	868	253

*Source: The Applicant's submissions*

377. Investments and cash flow show similar trends throughout the IP, with a considerable increase in either 2019 or 2020 before a considerable decline in 2021 when PRC imports increased. It should be noted that there was heavy investment in 2019 when PRC imports decreased by 15% from the previous year, as shown in table 23 Investments in 2019 were significantly higher due to a drive for increased capacity ahead of an anticipated increase in UK consumption and enhancement of production capabilities, due to the significant increase in UK demand (detailed in [Market Analysis E.6](#)).
378. The UK industry state that a drop in profitability in 2021 has affected its ability to invest ([see G6.2 Profits](#)). The decrease in investments between 2020 and 2021 coincides with the drop in profits in 2021.
379. Return on investments trend is more severe, increasing in 2019 before decreasing by 219% below the start of the IP, meaning that the heavy investment when compared to the 2018 level has not been beneficial to the company in the POI, as seen from overall profit levels. Cash flow did increase overall during the IP by 153% but is 615 percentage points down in 2021 from the high in 2020.
380. Although these three indicators fluctuate, the trend in return on investments is a stronger indicator of injury to the UK industry, coinciding with the large increase in

imports of OFC from the PRC. This has significant negative implications for an industry that is heavily investment driven.

## G6.7 Output and capacity utilisation

381. To assess whether the UK industry has been injured or is being injured, the TRA assessed whether there has been a decline in output and use of production capacity during the IP. A decline in these economic factors may indicate that the UK industry is suffering injury.

382. Output is measured by the volume of like goods produced by the UK industry during the IP. Capacity utilisation is calculated by looking at output relative to capacity. Capacity utilisation allows us to understand whether the UK industry is using its full capacity to produce the like goods during that period.

383. The following table shows the increased capacity of the UK industry since 2018, together with a reduction in output and utilisation of that capacity during the injury period.

*Table 25: Output, capacity, and capacity utilisation for the production of like goods for the UK industry – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Output Index	100	68	72	92
Capacity Index	100	114	116	139
Utilisation of capacity Index	100	60	62	67

*Source: The Applicant's submissions and HMRC*

384. The UK industry increased its production capacity by 39% throughout the IP in anticipation of increased UK consumption. However, output and capacity utilisation declined during the same period to below 2018 levels. Output declined by 8% and capacity utilisation declined by 33% from 2018 to 2021. The UK

industry has the ability to supply the increased demand in the UK market, demonstrated by its increased capacity; however, it has been unable to utilise this capability during the injury period. The UK industry requires high production utilisation to remain viably profitable. If this current trend continues, the UK industry will face continued injury.

385. The overall decrease in output and utilisation of capacity can be linked to the significant rise in imports from PRC and loss of market share to PRC over the injury period (see [Section G6.3](#)). Therefore, the areas in table 20 indicate strong evidence that the UK industry is suffering injury from increased PRC imports.

386. The UK industry requires high production utilisation to remain viably profitable. If this current trend continues, the UK industry will face continued injury.

## G6.8 Inventories

387. To assess whether the UK industry is suffering from injury, we assessed whether there has been an increased inventory level that may indicate the UK industry has suffered or is suffering injury. The following table shows the increasing trend in the UK industry inventory of the like goods during the injury period.

*Table 26: The Applicant's like goods inventory at the end of each year – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Inventory (indexed)	100	214	234	279

*Source: The Applicant's submissions*

388. The UK industry assesses its stock levels in terms of value and inventory days. Table 20 shows a significant increase in stock levels, an increase of 179% across the IP. This signifies a slower turnover of sales as the period progresses, which could be linked to the increasing difficulty of the UK industry in selling its products

within the UK market due to the increased volume of PRC imports. It must be noted that a large proportion of OFC goods are made to order based on precise specifications through the awarded tendering process. However, a certain proportion of production will be made in anticipation of demand through distribution sales. Therefore, increased inventory levels do indicate evidence of the UK industry suffering injury from increased PRC imports.

## G6.9 Wages

389. The Applicant submitted its wage figures for each 12-month period of the IP. The trends for this factor can be seen in the following table and have been compared to the UK minimum wage.

*Table 27: UK industry's median wages for employees involved in the like goods compared against the UK minimum wage – 01 January 2018 to 31 December 2021*

	2018	2019	2020	POI
Median average wage (indexed)	100	107	104	101
Hourly minimum wage in the UK (indexed)	100	105	111	114

*Source: The Applicant's questionnaire response and UK Government information*

390. The average wage of the UK industry remained stable throughout the IP. In comparison the hourly UK minimum wage increased by 14% over the IP. We would expect the UK industry median wage to increase throughout the IP at a similar rate to the hourly minimum wage in the UK. We are not able to provide details of our specific findings, due to confidentiality, therefore, we have determined that the consideration of wage levels as an injury indicator may not be reliable.

## **G6.10 Factors affecting domestic prices**

391. The TRA has assessed factors affecting domestic prices in [Section G5](#) above and concluded that there has been significant price undercutting, as well as price depression by the goods concerned, leading to injury to the UK industry.

## **G7. Other causes of injury (non-attribution)**

392. In accordance with regulation 35 of the Regulations, we considered whether any other known subsidised imports (“other known factors”) have caused or are causing injury to UK industry. The next sections cover the relevant factors.

### **G7.1 Third-country imports and prices**

393. Imports from third countries to the UK were examined to ascertain whether they break the causal link between the subsidised imports from the PRC and injury to the UK industry. Tables 21 and 22 focus on the three importing countries with the largest volume of OFC imported into the UK, which were Poland, Germany, and India.

*Table 28: Poland, Germany and India's import volume of OFC into the UK compared against the PRC volume – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
PRC (fkm)	120,962	102,868	159,417	535,565
PRC (Indexed)	100	85	132	443
Poland (fkm)	265,170	314,184	530,816	716,988
Poland (Indexed)	100	118	200	270
India (fkm)	88,331	162,640	167,533	261,407
India (Indexed)	100	184	190	296
Germany (fkm)	363,856	174,550	97,984	230,012
Germany (Indexed)	100	48	27	63

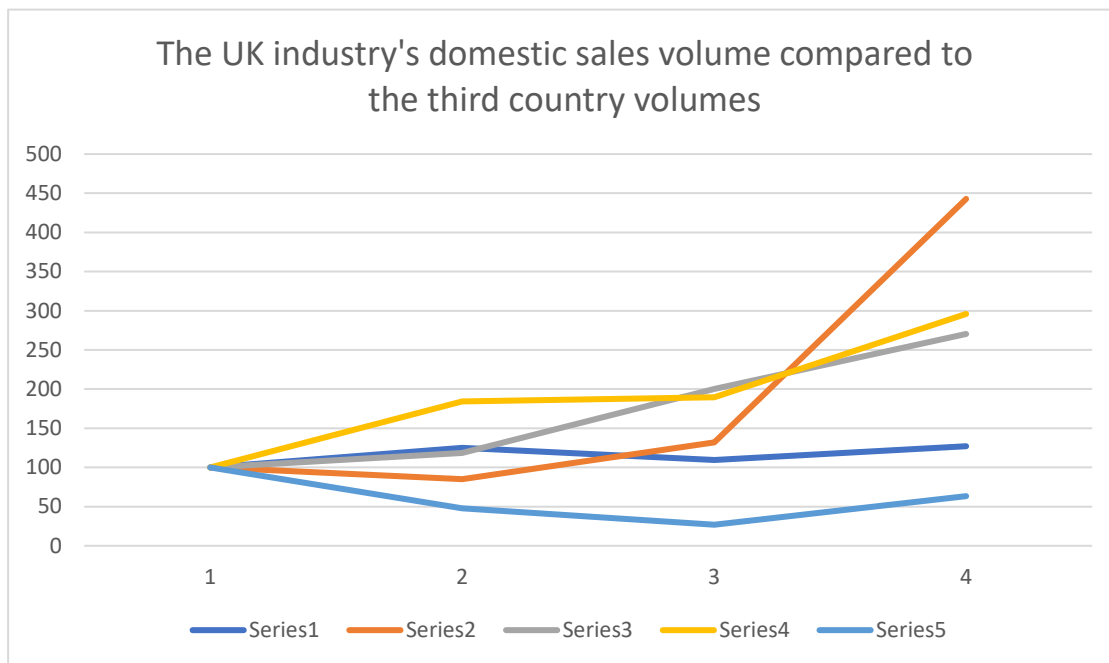
*Source: HMRC import statistics*

*Table 29: Poland, Germany and India's average import unit price of OFC entering the UK compared against PRC average import unit price – 01 January 2018 to 31 December 2021*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>POI</b>
PRC (Indexed)	100	130	86	56
Poland (Indexed)	100	128	97	66
India (Indexed)	100	96	76	79
Germany (Indexed)	100	139	313	184

*Source: HMRC import statistics*

Figure 3: The UK industry's domestic sales volume compared to the third country volumes (indexed)



Source: HMRC import statistics

394. The level of imports from Germany significantly decreased in volume and increased in average unit price during the injury period making it unlikely that those imports caused injury.
395. India has significantly increased import volumes over the IP, and their average unit price for OFCs had decreased by 21% over the same period. However, India's volume increased by 196% compared to the PRC volume increase of 343%. The Indian unit price reduction progressed at a steady rate, never dropping lower than 24 percentage points when compared with the PRC figure that dropped 74 percentage points from the 2019 figure. Additionally, the Indian price actually increased in 2021 when the PRC figure was at its lowest price. At the same time the UK industry lost most of its market share (see [G4. Volume of subsidised imports from PRC](#)), hence the TRA consider that India's imports do not break the casual link and that the PRC imports are causing injury to the UK Industry.

396. Polish import volumes into the UK increased by 170% over the IP, a lower volume increase than both the PRC and Indian imports. The average unit price of Polish OFCs dropped at a similar rate to the PRC goods but 10% less at 34%. Whilst these trends may indicate that some injury to the UK industry might be caused by the Polish import volume and prices, there is an absence of any available pricing data that would enable further assessment.
397. Assessing third country import volumes into the UK and average unit price for OFCs at this level of data does not provide a full picture of the true impact the goods have on the UK industry. Telecom operators usually purchase OFC through tenders which are issued on either a yearly basis, or every two to three years. Participation in tenders is usually by invitation with one, two or several negotiation rounds. The whole process is highly confidential with little information provided to bidders on who they are competing against. Therefore, the TRA has found it difficult to assess the country with which the UK industry is in direct competition during the tendering process. The UK industry alleges in its submissions that PRC producers are the main drivers for exercising downward price pressure during tender proceedings and that, even if they are not ultimately selected, they nevertheless force the UK industry to significantly decrease their prices to unsustainable levels. This should be considered when assessing the unit price for OFCs entering the UK.
398. The TRA had very little cooperation from the UK importers so no information could be gathered to dispute the above claim from an independent tendering entity. Therefore, the TRA conclude that the causal link between UK industry injury and increased PRC imports has not been broken by third party imports due to the combined PRC effect of significant increased volume and average unit price reduction during the POI.

## **G7.2 Economic impact of the COVID-19 pandemic**

399. We considered CCCME and the GOC's submissions on the effects of the COVID-19 pandemic on the UK industry's OFC sales volume. It is acknowledged that the pandemic arose in early 2020 and the subsequent lockdown periods enforced by the UK government caused a reduction in consumption of goods within the UK during this period. However, disruption to production and orders of OFCs in the UK appeared to be limited. This is reflected in [G4. Volume of subsidised imports from PRC](#), which shows UK consumption of OFCs only dropped by 5% in 2020. Lack of contraction for demand of OFCs is supported by a report commissioned by [OFCOM](#) in May 2020, that reported that homes that could access full-fibre broadband in the UK was up by a fifth since September 2019. Additionally, the ability of other high-speed broadband services has continued to increase over the same time period, with the total number of UK homes able to receive superfast broadband having increased by 300,000. This continued demand for improvement may in part be motivated by UK legislation that came into effect in March 2020 that allows households a legal right to request an improved broadband service.
400. By comparing the drop in UK consumption of OFC by 5% in 2020, against UK industry sales figures in table 18, we can see that sales figures dropped by a much larger proportion, 15 percentage points in 2020, at a time when PRC increased OFC import volume by 47 percentage points. Therefore, the evidence indicates that COVID-19 had little impact on the UK OFC industry, and it was subsidised imports from the PRC that was injuring the UK industry. The TRA concludes that the COVID-19 repercussions in 2020 did not break the link between subsidised imports from the PRC and the injury suffered by the UK industry.

## **G7.3 Brexit**

401. We considered CCCME and the GOC's submissions on the effects of Brexit (the UK withdrawal from the European Union (EU) on 31 January 2020) and that it

was a factor in causing injury to the UK industry. As described, in the Applicant's financial report published in 2017 the CEO highlights the challenges the company would face, suggesting that there would be an increase in costs of raw materials. However, we are unable to find evidence that the Applicant's cost of production has increased significantly throughout the IP.

402. CCCME have also mentioned UK import duties on raw materials used for the production of OFC, specifically citing the 2% duty on optical fibres. However, duty appears to be suspended on optical fibre specifically, according to the footnote regarding commodity code 9001109090. The TRA concludes that the causal link between UK industry injury and increased PRC imports has not been broken by Brexit.

#### **G7.4 Self-inflicted injury**

403. We considered CCCME and the GOC's submission mentioning that the Applicant started to expand its production capacity when demand of OFC stagnated, and the Applicant's poor timing for expansion is the factor for injury in the UK industry. We have identified that the Applicant was prepared for the increase in demand for OFC in the UK. The investment and improvement of production was in preparation for the increased consumption and demand in the UK. Therefore, we conclude that the causal link between UK industry injury and increased PRC imports has not been broken by self-inflicted injury.

#### **G8. Conclusions on injury**

404. We have concluded that the goods concerned benefit from countervailable subsidies and considered the impacts on the UK industry.
405. After an assessment of the 15 injury factors, we have concluded that the UK OFC industry has suffered injury caused by the increased volume of subsidised imports originating from the PRC.

406. We have identified a significant increase in subsidised imports from the PRC has coincided with various negative trends including loss of market share, price depression, price undercutting, profitability, return on investments, output utilisation and productivity.
407. The UK industry has had to forego investment programmes as a result of the price depression caused by the subsidised imports. While the reduction in investment costs in 2020 resulted in a slight drop in the level of profit, overall profitability decreased significantly in 2021 in tandem with a reduction again in investment costs in 2021 and increased PRC imports.
408. Other known factors including third country imports and prices have been assessed and we have concluded that the evidence does not break to the causal link due to the combined effect of significant increased volume and average unit price during the POI.
409. The TRA therefore concluded that UK industry suffered injury during the IP within the meaning of paragraph 5(1) of schedule 4 to the Act. Substantial undercutting and underselling over an extended period of time by imports originating in PRC, combined with a surge in import volumes, has been evidenced to be the main cause of the injury suffered by the UK industry.

## **G9. Injury amount**

410. The injury margin is the extent of the injury to UK industry. We calculated margin for each exporter based on the underselling margin. This is calculated by comparing a benchmark UK price (the target price) with the import price (the landed price). The target price is the price that a UK producer would expect to sell its like goods at if it were not being affected by the subsidised imports.
411. The margin was calculated using both SDG & SDGI cost data. These are the two sampled overseas exporters who cooperated with the investigation. We combined these figures to calculate an individual injury margin for the combined SDG group.

412. Due to the close connection of both the sampled overseas exporters, we calculated a combined injury amount for both, therefore we have been unable to calculate a weighted average non-sampled cooperative overseas exporter injury amount so this will be the same amount as the sampled overseas exporter.
413. We calculated an injury margin for all other overseas exporters. This is known as the residual injury margin.
414. During verification we were able to establish a reasonable level of profit for an optical fibre manufacturing business in the UK. The methodology used to calculate the injury margins is set out in the sections below.

### **G9.1 Target price**

415. The target price is the price that a UK industry would expect to sell its like goods at if it were not being affected by the subsidised imports.
416. We calculated the target price by using the UK industry cost of production for the like goods, adding its AS&G costs, and applying a normal rate of profit. The normal rate of profit was set at 15% (profit margin) in this instance, which was based on historical data from the UK Industry and what the TRA believe is expected by the OFC industry under normal competition. This profit margin is higher than might be expected for other industries due to the high-investment nature of the goods and the need to invest in research and development to ensure the business is competitive.

### **G9.2 Landed price**

417. The landed price is the price of the goods concerned when they arrive at the UK port. It equates to the CIF (Cost, Insurance and Freight) import price plus any relevant import duties and other costs associated with import.

418. We calculated the landed price by using the sampled exporters CIF UK export price. The CIF value was provided in USD and YUAN, and we have used the HMRC monthly exchange rate to convert the price to GBP.

### **G9.3 Residual margin**

419. Regulation 38(3) of the Regulations states that the TRA may determine the residual amount using any reasonable means.

420. In line with regulation 38(4)(b) of the Regulations the TRA has determined the residual margin taking account of information contained in the applicant's and overseas exporters' questionnaires.

421. The residual margin has been set by using a method of selecting the highest injury margin established for a PCN that had high sales volume when compared to the total export volume during the POI.

### **G9.4 Injury margins**

422. Using the approaches and data detailed above, we calculated the following injury margins for overseas exporters from the PRC:

*Table 30: Injury margins*

<b>Country</b>	<b>Overseas exporter/producer</b>	<b>Injury margin</b>
PRC	SDG group	64.5%
PRC	Non-sampled	64.5%
PRC	Residual Amount	75%

# Section H: Economic Interest Test

## H1. Introduction

423. The aim of the Economic Interest Test (EIT) is to determine whether the application of a countervailing duty on the goods concerned is in the economic interest of the UK. The test is presumed to be met unless we are satisfied that the application of measures is not in the economic interest of the UK.
424. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of a countervailing duty if the application of the measure is in the economic interest of the UK.
425. The TRA may only recommend to the Secretary of State that a countervailing duty should be applied to the goods subject to a final affirmative determination where that recommendation meets the EIT, in accordance with paragraph 17(5) of Schedule 4 to the Act.
426. In line with paragraph 25 of Schedule 4 to the Act, the TRA has taken account of the following in conducting the EIT:
- the injury caused by the importation of subsidised goods to a UK industry in the like goods and the benefits to that UK industry in removing that injury;
  - the economic significance of affected industries and consumers in the UK;
  - the likely impact on affected industries and consumers in the UK;
  - the likely impact on particular geographic areas, or particular groups, in the UK;
  - the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and
  - such other matters as the TRA considers relevant.

## **H2. Evidence base**

427. Our primary evidence sources were questionnaire responses from interested parties. The following responses contained information relevant to the EIT:

- One response from the Applicant.
- One response from a downstream user and importer of OFC.

428. We invited several other stakeholders to participate in this investigation; however, no other parties submitted evidence in relation to the EIT.

429. We supplemented the questionnaire responses with evidence from background research and collated additional information from UK government data sources, and recognised market data providers. The TRA has also conducted research relating to parties that have not participated in this investigation.

430. The sections that follow assess each of the factors of the EIT in turn.

## **H3. Injury caused by subsidised imports from the PRC and benefits to UK Industry in removing injury**

431. In the [injury section](#), we found that the UK industry has been suffering injury as a result of subsidised imports of OFC from the PRC.

432. An assessment of the 15 injury factors determined that the significant increase in imports of OFC from the PRC coincided with a deterioration of the UK industry. Several factors saw negative trends during the IP, including profits, sales, market share, productivity and return on investments. We also found evidence of price undercutting with an average margin of 38.7% during the POI, which has led to price depression for the UK industry.

433. The injury assessment concluded that there would be further injury to the UK industry were a countervailing amount not imposed. This imposition of a

countervailing amount would prevent further injury, allowing the UK industry to regain lost market share and improve their profitability.

## **H4. Economic significance of affected industries and consumers in the UK**

434. This section sets out the relative size and significance of the affected industry and consumers within the OFC supply chain. From the available evidence, the TRA identified the following groups in the UK as potentially being affected by a countervailing measure:

- upstream suppliers of raw materials;
- UK producers of OFC;
- distributors and importers of OFC;
- downstream industries; and
- consumers.

435. It should be noted that there is overlap between these groups. We have attributed all known businesses to one of these groups based on their principal activity to avoid double counting. Distributors and imports have been analysed together as many distributors are importers.

### **H4.1 Upstream businesses**

436. We did not receive any submissions from upstream businesses, but we identified three upstream businesses based in the UK. These businesses supply raw materials to several industries, including the OFC industry.

437. Our analysis of the available evidence suggests less than 1% of the turnover of these upstream businesses comes from sales to OFC producers. Therefore, OFC is unlikely to be very important for these businesses.

## H4.2 UK producers

438. There is one confirmed UK producer of OFC in the UK (see [E1. Scope of the UK Industry](#)). We received a questionnaire response from one producer: the Applicant.
439. In 2021, the Applicant employed 1,035 people and their turnover was £543.3m. Their EBITDA<sup>1</sup> margin was 6.9%. We estimate that their Gross Value Added (GVA) was £88.0m. The available evidence suggests that OFC are somewhat important to the UK producer, when considering revenue from OFC sales relative to total company turnover.

## H4.3 Distributors and Importers

440. Distributors and importers play a similar role in supplying OFC to downstream industries. Data was available for six of the 14 known distributors and importers of OFC. These firms employed 1,019 people across the UK based on accounts filed for the year 2021 and had a total turnover of £627.6m. They had an EBITDA margin of 1.6%. We estimate that their GVA was £64.5m.

The available evidence on purchases of OFC suggests that they are somewhat important to two of the six known businesses and unlikely to be very important for the other four.

## H4.4 Downstream businesses

441. We identified 67 downstream businesses and received one questionnaire response. We selected 10 businesses that have the largest proportion of purchases of OFC based on available data. Based on accounts filed for the year 2021, these businesses employed 85,728 people and their total turnover was

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<sup>1</sup> EBITDA is earnings before interest, taxes, depreciation, and amortisation and is a widely used metric that measures a company's overall financial performance.

£22.7bn. For the same period, we estimate that their average EBITDA margin was 12.1% and their combined GVA was £3.1bn.

442. There are some firms operating within the main downstream industries, telecoms, and broadband, that are vertically integrated. These tend to be larger firms, for example, some broadband providers are also network operators and own the infrastructure they use to provide their services to customers. Small firms generally rent the network with their main operation focused on the services provided to customers.
443. While OFC is used as an input for the downstream businesses identified, not all their employment can be directly attributed to OFC. For example, OFC is a key part of the infrastructure for fibre broadband; however, operations for some businesses extend beyond this. For example, BT sales of TV packages, which are not directly related to OFC, will contribute to its employment and financial figures. The available evidence suggests that OFC is somewhat important to a small number of the sampled firms when considering their purchases of OFC.
444. As OFC are used in various industries, the total number of downstream businesses is likely higher than those identified. We have no evidence to suggest that any of these industries are dependent on OFC imported from the PRC.

#### **H4.5 Consumers**

445. OFCs are themselves not typically regarded as a consumer good. They are a key part of the infrastructure in providing services to consumers, with the most widely used application in fibre broadband for internet connectivity.

#### **H4.6 Summary table**

446. Table 25 presents evidence on the economic significance for segments of the OFC supply chain. Based on the comparative metrics set out in the table, we

believe OFC are a somewhat important product for the UK producer, distributors and importers, and downstream businesses.

Table 31: Summary table for the significance metrics for affected industries

	<b>Upstream businesses</b>	<b>UK producers</b>	<b>Distributors and importers</b>	<b>Downstream businesses</b>
Total known businesses	3	4	14	68
Total selected	3	1	6	10
Estimated importance of OFC to this group	Not very important (UK producer raw material costs vs upstream business turnover)	Somewhat important (OFC sales revenue vs whole business turnover)	Somewhat important (value of OFC purchases vs distributor/importer turnover)	Somewhat important (UK producer OFC sales revenue vs downstream business turnover)
Total employment of selected businesses	N/A	1,035	1,019	85,728
Total GVA of selected businesses (£m)	N/A	88.0	64.5	3,065.7
Total turnover of selected businesses (£m)	N/A	543.3	627.6	22,721.6
Average EBITDA margin for selected businesses (%)	N/A	6.9	1.6	12.1
Vulnerability to economic shocks	Low – company profitable across the IP, with profits increasing in 2021	Low – producer remained profitable throughout the IP, with profits increasing in 2021	Medium – some companies experienced negative profits across the IP, whilst others were profitable	Low – most companies were profitable during the IP, only two firms experienced negative profits

*Sources: Questionnaire responses, Companies House and Dun & Bradstreet.*

*Methodology: The importance of OFC to each of the groups was estimated using the comparison metrics set out in brackets for each group. GVA was estimated by summing operating profits, employment costs, depreciation, and amortisation. Average EBITDA margin was estimated by dividing the sum of operating profit, depreciation, and amortisation by turnover. The assessment of vulnerability to negative economic impacts was made by looking at financial data from 2017-2021, with gross profits being the measure of financial wellbeing used.*

## **H5. Likely impact on affected industries and consumers**

447. This section assesses how prices and quantities throughout the supply chain will be impacted with and without a countervailing duty. We then assess the impact of any changes in prices and quantities on affected industries and consumers.

### **H5.1 Prices and quantities in the event a measure is imposed as recommended**

448. The imposition of a measure is likely to increase the prices of imports from the PRC by up to the level of the countervailing duty (10.62%).

449. The higher price of imports following the imposition of a measure is likely to lead to a decrease in imports of OFC from the PRC. However, we do not expect an immediate decline as there may be outstanding orders to be completed for contracts agreed ahead of time between suppliers. Given that the UK producer has some available capacity, the decrease in imports from the PRC could be filled by increased domestic supply or imports from third countries in the long term. We expect demand to remain unchanged even if prices of domestically produced and imported OFC increase, due to the lack of comparable alternative products to OFC.

450. The prices for importers and distributors that source OFC from the PRC will likely increase by up to the level of the countervailing amount.

451. We expect overall consumption of OFC to either remain unchanged or increase. This is because evidence from questionnaire responses and background research suggests that demand for OFC is relatively insensitive to changes in prices given the importance of fibre broadband and the lack of substitutes for OFC, especially when comparing the speed of fibre broadband to alternatives. Demand from suppliers investing in faster broadband is expected to continue, particularly to fulfil infrastructure projects delayed due to the Covid pandemic. Additionally, [Project Gigabit](#), the government's programme to install fast broadband in hard-to-reach areas not included in suppliers' plans, will sustain demand for OFC.

452. Cost increases for downstream industries that use OFC will largely depend upon the nature of the product. For the main downstream industries, broadband and telecoms, OFC are an essential part of the infrastructure. This means that cost increases could be passed to final consumers, where price increases will depend on factors such as competition, price sensitivity and substitutability of the downstream services.
453. As previously mentioned, some downstream businesses are vertically integrated, providing services to consumers whilst also managing the infrastructure as network operators. These firms may have the ability to absorb some of the cost increases rather than passing onto customers or may have increased leverage to pass some of the costs onto smaller firms who rent the broadband network to provide their services to customers. Smaller firms who are less able to absorb these cost increases are more likely to pass them onto their customers. This demonstrates the uncertainty around the extent to which the costs of tariffs may be passed on to customers.
454. The impact of a measure on broadband consumers depends on whether downstream industries increase prices due to a potential increase in their costs. Many providers include clauses in the terms and conditions of their contracts for yearly price increases in line with the Consumer Price Index (CPI) and to account for rising business costs. Therefore, increases in costs can be passed onto consumers in line with the percentages quoted in contracts, [usually around 4-5%](#). Some providers will allow customers to switch suppliers within their contract period with no exit fees following price increases. For out-of-contract customers, price increases may be larger as broadband providers are able to increase prices. Other factors will also influence prices including supply of broadband, regional competition, and market segmentation, with some of these factors applying downward pressure on prices.
455. We have produced illustrative estimates of the potential increase in broadband prices for consumers from the imposition of the measure using publicly available data. The [EU Commission's final recommendation](#) to impose an anti-dumping duty on OFC imported from the PRC stated that OFC represented 5-10% of total network costs based on information from interested parties. Using these EU Commission estimates in the absence of UK-specific evidence, and assuming that all additional costs are passed to consumers in a worst-case scenario, the proposed countervailing duty of 10.62% could translate into percentage price increases of 0.5% to 1.1%. Broadband prices paid by consumers can

vary considerably, so we looked at data on the highest and lowest monthly [broadband prices by city in the UK](#), an approximate range of £25 to £45. Applying the estimated percentage price increases to the range of broadband prices provides an illustrative monthly price increase of 10p to 50p. However, this represents an illustrative worst-case scenario where all additional costs are passed on to consumers.

456. In reality, we expect the consumer impacts to be smaller. This is largely because of competition between broadband providers which may lead to downstream firms absorbing some of their increased costs to attract and retain customers. Moreover, there is no evidence that downstream firms are reliant on imports of OFC from the PRC and the market is competitive, which means there is the possibility for firms to source OFC from cheaper third country sources. Further, the OFC contained within broadband infrastructure typically has a long lifespan and is not regularly replaced, so downstream users of OFC would not regularly face increased costs that they may seek to pass on to their consumers.

## **H5.2 Prices and quantities in the event a measure is not imposed**

457. Questionnaire responses suggest that UK demand for OFC is expected to increase alongside the overall growth of the fibre broadband sector. An increase in imports will be necessary to facilitate this increase in demand because, in the long term, domestic capacity to produce and supply OFC will not be sufficient. Current nationwide rollouts of fibre broadband, including Project Gigabit, are acting as a sustained source of demand for OFC, which would likely continue with or without the imposition of a countervailing measure. This increased demand could lead to prices of OFC increasing.

458. If a countervailing measure is not imposed, subsidised imports from the PRC will continue to displace domestically produced OFC. During the IP, the volume of imports from the PRC significantly increased. The price undercutting of subsidised imports from the PRC will continue to cause injury. Consequently, quantities produced by the UK industry are likely to decline due to their inability to reduce prices to compete with the subsidised imports.

459. There is the possibility of further price undercutting, which may further depress prices of OFC in the UK market. However, if suppliers exit the market due to their inability to

compete with imports from the PRC, the reduced competition may lead to an increase in prices, in the long term.

460. The UK producer highlighted the risk of further injury due to potential trade deflection from the EU to the UK after the EU's imposition of a definitive anti-dumping duty on imports of OFCs on 17 November 2021 and countervailing measures on 18 January 2022. We acknowledge this risk, given the increase in imports of OFC from the PRC during the IP.
461. If a measure is not imposed, we do not expect price increases for consumers. However, broadband customers may see price increases, in line with CPI as a minimum, as set out in the terms and conditions of their contracts. Additionally, government subsidisation of high-speed broadband in rural areas may lead to prices falling in the long-term.
462. From the parallel anti-dumping investigation, AD0021, there is a possibility that an anti-dumping amount will be applied to imports of OFC from the PRC even if a countervailing duty is not imposed, which could lead to some prices increases.

### **H5.3 Likely impact on affected industries and consumers (by type)**

#### **H5.3.1 UK producer**

463. The imposition of a measure would prevent further injury to the UK industry. A measure will allow them to compete with fairly priced imports and thus maintain levels of production required to satisfy a growing domestic market.
464. The non-imposition of a countervailing measure is likely to see the UK industry continue to lose market share to subsidised imports from the PRC due to their inability to reduce prices. This will likely lead to further deterioration of the domestic producers' market position in the long term.

#### **H5.3.2 Distributors and importers**

465. If a countervailing measure is imposed, the distributors and importers that source OFC from the PRC are likely to see prices increase by up to the level of the countervailing duty with no change expected for those who source OFC from third countries. The impact on the firms sourcing from the PRC will depend on the extent to which they can pass any

cost increases onto their customers in downstream industries. As OFC are essential for some downstream industries, particularly in the absence of substitutes, it is likely that distributors and importers will pass some cost increases on. Demand for imports may decrease slightly.

466. We do not expect any significant impacts on distributors and importers if a measure is not imposed. However, it is possible that they gain the market share lost by the UK producer.

### **H5.3.3 Downstream businesses**

467. There is limited information to assess the impact for all downstream industries that use OFC as part of the infrastructure to provide services to consumers. If a measure is imposed, costs are likely to increase for some downstream businesses, who may pass these onto final consumers. The extent of this depends upon several factors, including the price sensitivity and substitutability of downstream services.

468. If a measure is not imposed, we do not expect downstream businesses to be significantly impacted in the short-term.

### **H5.3.4 Consumers**

469. If a measure is imposed, there could be a small negative impact on individual consumers, which could translate into a material increase in costs for broadband to consumers in aggregate terms. However, as discussed earlier our illustrative estimates of price impacts represent a worst-case scenario and it is unlikely that these impacts would materialise due to competition between broadband suppliers, no evidence of suppliers being reliant on imports of OFC from the PRC and the possibility to source OFC from cheaper third country suppliers.

*Table 32: Expected impacts on affected groups if a countervailing is imposed*

<b>Group</b>	<b>Expected impacts</b>
UK producer	Significant positive impact for domestic producer
Distributors and importers	Small negative impact
Downstream businesses	Small negative impact
Consumers	Small negative impact on individual consumers, with a larger impact in aggregate terms

## **H6. Likely impact on particular geographic areas, or particular groups in the UK**

470. This section considers how potential impacts of imposing a measure may be geographically distributed, and whether any particular groups might be disproportionately impacted.

### **H6.1 Likely impact on particular areas**

471. The TRA considered the geographic areas where UK producers, distributors, importers, upstream and downstream industries were located, as identified through questionnaire responses. The stakeholders included in our analysis are limited to those identified during the investigation and therefore may not represent the complete OFC industry and related industries within the UK.

472. We assessed the significance of affected industries by examining the employment of affected industries as a proportion of total employment in each local area. However, due to the absence of granular data, it was not always possible to attribute employees within a firm to particular sites in the UK.

## H6.2 UK producer

473. The UK producer operates four production sites across the UK and provided employment data for three of these sites. One site is located in South England, two sites in Wales and one in North East England. The site that focuses on OFC is located in Eastleigh in South England. Employment is less than 1% proportion of the total working-age population in this area so we do not expect the imposition or non-imposition of a measure to have any significant impacts.

## H6.3 Distributors and Importers

474. We considered the locations of the selected distributors and importers using available evidence and found that sites for these companies are located across England. We do not expect significant impacts from the imposition or non-imposition of a countervailing measure as employment for each site was not a significant proportion of total employment in each area.

## H6.4 Downstream businesses

475. For downstream businesses, which are predominantly broadband and telecoms providers and installers, we have limited information to analyse regional impacts. Although information on locations of headquarters is available, operation sites are far more extensive, particularly for larger firms. The pace at which high-speed fibre broadband is being rolled out across the UK also means that operations of downstream industries remain dynamic as they continue to expand.

## H6.5 Likely Impact on Particular Groups

476. The TRA considered the likely impact on particular groups including those with protected characteristics as defined by the [Equality Act 2010](#).

477. Broadband prices differ by region, due to a number of reasons including speeds available and competition. This means that consumers in some parts of the UK could be subject to higher prices increases than others. There are some broadband providers that offer [social tariffs](#), cheaper broadband, and phone packages, for individuals claiming benefits. This

means low-income households, who would otherwise spend a larger share of their income on broadband, have access to cheaper broadband at the same speeds and may not be subject to price increases.

## **H6.6 Likely consequences for the competitive environment, and for the structure of the market, in the UK**

478. The assessment of the likely consequences for the competitive environment and structure of the UK market considers four factors:

- the impact on the number or range of suppliers;
- the impact on the ability of suppliers to compete;
- the impact on the incentives to compete vigorously; and
- the impact on the choices and information available to consumers.

### **H6.6.1 Background**

479. There is one confirmed UK OFC producer, with 3 other cable producers with unknown OFC production volume, and 14 known UK distributors and importers of OFC. There are also a range of suppliers in the PRC and third countries exporting to the UK. During the POI, the UK imported OFC from 73 countries, including the PRC.

480. We estimated that the UK producers accounted for approximately 50% of total domestic consumption of OFC during the POI. Imports from the PRC, as a percentage of total UK consumption, more-than-doubled during the same period, from 4.3% to 9.4%, demonstrating the increasing influence of imports from the PRC<sup>2</sup>. The rest of the market was supplied by imports predominantly from Germany, India and Poland.

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<sup>2</sup> The unit of measurement for the estimated market shares is fkm.

### **H6.6.2 The impact on the number or range of suppliers**

481. The market for OFC has high barriers to entry in the form of technological expertise and investment. The level of expertise required to efficiently produce OFC at scale means that there is unlikely to be an increase in the number of UK producers with the imposition or non-imposition of a measure.
482. The imposition of a measure may lead to a reduction in the number or range of suppliers from the PRC. We expect the UK market to remain competitive, even if Chinese suppliers exit the market, as there are suppliers from a number of third countries exporting OFC to the UK. A measure will allow the UK industry to compete on a level playing field with imports from the PRC. Any reduction of OFC imports from the PRC will likely be fulfilled by domestic production, imports from third countries, or a combination of the two.
483. The number or range of suppliers is unlikely to change with the non-imposition of a measure.

### **H6.6.3 The impact on the ability of suppliers to compete**

484. The imposition of a measure will increase the prices of subsidised imports from the PRC, which is likely to reduce the ability of Chinese suppliers to compete. However, the removal of price undercutting will allow the UK industry to compete with imports of OFC from the PRC on a level playing field. The prevalence of imports, which are required to satisfy UK demand, suggests that suppliers in third countries will be able to compete with or without the imposition of a measure.

### **H6.6.4 The impact on the incentives to compete vigorously**

485. There is no evidence to suggest that suppliers would face reduced incentives to compete vigorously with the imposition or non-imposition of a measure. The tender process requires vigorous competition, as suppliers need to fulfil the requirements of the tender, so we do not expect any significant impacts.

## H6.6.5 Impact on the choices and information available to consumers

486. There is limited evidence to suggest that the choices and information available to consumers would be impacted by the imposition or non-imposition of a measure. The available evidence on how the market operates indicates that downstream industries have a choice between domestically produced versus imported OFC.

## H7 Such other matter as the TRA considers relevant

487. As part of the EIT assessment, the TRA can consider any other factors that may be relevant in concluding whether the proposed measure is in the economic interest of the UK.

488. We found no evidence of any other relevant factors for this investigation and no evidence was submitted by interested parties.

## H8 Conclusions

489. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the imposition of a measure if the application of the countervailing amount is in the economic interest of the UK. This test is presumed to be met unless the TRA is satisfied that the application of the countervailing amount is not in the economic interest of the UK.

490. As described in the [injury section](#), we determined that the UK industry has been suffering injury due to the goods concerned. The injury assessment concluded that there would be further injury were a measure not recommended.

491. The [economic significance section](#) assessed the financial metrics of the different groups that make up the supply chain for OFC in the UK. We found that OFC was somewhat important to UK producers, distributors and importers, and downstream businesses.

492. In the [impacts section](#) we found that the imposition of a measure would prevent further injury to the UK industry. While the imposition of a measure would increase the price of imports from the PRC by up to the level of the measure, it would allow the UK industry to compete on a level playing field. The relative price inelasticity of OFC means that

distributors and importers could pass increased costs onto their customers. This means downstream industries, that use the infrastructure OFC is part of, may increase prices for consumers, however this increase would depend on price sensitivity, competition and substitutability of downstream products and services. The impacts on consumers could be large in aggregate terms but small at an individual level. In contrast, not imposing a measure would cause further injury to the UK industry. The continued pressure on prices would further squeeze profit margins and could lead to declines in investment, which is unsustainable for an industry that is heavily investment driven.

493. We concluded that the imposition or non-imposition of a measure is not expected to have any [geographical impacts](#) due to sites being distributed across the UK and employment for each site being a small proportion of the total working-age population in each area. There was no evidence of impacts on particular groups.

494. In the [competition section](#), we determined that the market is competitive given the range of suppliers and due to businesses having to compete for tenders. The imposition of a measure would be unlikely to substantially affect the level of competition in the OFC market.

495. We have identified the following key positive impacts of imposing the measure:

- The UK industry would benefit due to prevention of further injury.
- The UK industry would be able to compete with imports on a level playing field, increase profitability and realise returns on its investments.

496. The contrasting key negative impacts are:

- Importers and distributors would be unable to source cheaper OFC from the PRC.
- Downstream industries may face increased input costs.
- When considering the illustrative price increases for broadband, the impact on consumers could be large in aggregate terms, even though small at an individual level.

497. We do not have evidence to suggest that the potential negative impacts outweigh the potential positive impacts. Though potentially material in aggregate terms, the illustrative

impacts on consumers present a worst-case scenario and are likely to be smaller in reality whereas we consider that the impacts for the UK industry are more certain and severe. Therefore, having considered the evidence submitted by interested parties and all of the factors listed in the legislation, we conclude that the EIT is met.

## Section I: Intended final determination and recommended measure

498. Our intended final determination is set out below.
499. We intend to make a final affirmative determination on imports of the goods concerned originating from the PRC as described in the NOI, that fall under commodity code: 8544700010
500. The TRA has determined that the goods concerned that are the subject of the intended final determination have been or are being subsidised and imported into the UK, and the subsidised imports of the goods concerned have caused or are causing injury to UK Industry in those goods. The TRA has determined that the EIT is met for our intended final affirmative determination. Therefore, we intend to recommend to the Secretary of State that a definitive countervailing measure is imposed.
501. We intend to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the goods concerned subject to the final affirmative determination.
502. In accordance with paragraph 18(6) of Schedule 4 to the Act, the TRA intends to recommend that the Secretary of State impose the countervailing amount at the level of the subsidy amount, as this is the lower of the subsidy amount and the injury margin. Individual company margins as well as the residual amount are shown below.

*Table 33: Recommended ad-valorem duty rates*

Country	Overseas exporter/producer	Subsidy amount	Injury Margin	Countervailing Amount
PRC	SDG Group (consisting of Shenzhen SDG Information Co., Ltd and Shenzhen SDGI Optical Network Technologies Co., Ltd)	10.62%	64.5%	10.62%

PRC	Suzhou Furukawa Power Optic Cable Co.,Ltd.	10.62%	64.5%	10.62%
PRC	Shanghai Wanbao Optical Technologies Co. Ltd	10.62%	64.5%	10.62%
PRC	Ningbo Geyida Cable Technology Co.,Ltd	10.62%	64.5%	10.62%
PRC	XDK Communication Equipment Huizhou Co., Ltd.	10.62%	64.5%	10.62%
PRC	Jiangsu Fasten Optical Cable Co., Ltd.	10.62%	64.5%	10.62%
PRC	Hengtong Optic-Electric co. Ltd.	10.62%	64.5%	10.62%
PRC	ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	10.62%	64.5%	10.62%
PRC	FibreHome Telecommunication Technologies Co Ltd	10.62%	64.5%	10.62%
PRC	All other overseas exporters (residual amount)	11.79%	75%	11.79%

## Annex A: Interested parties and contributors

Table 34: Summary of information received from Interested parties and contributors

Interested Party/Contributor	Information Received	Status
Prysmian Cables & Systems Ltd	Application, Pre-Sampling Questionnaire (PSQ), Questionnaire	The Applicant
Shenzhen SDG Information Co. Ltd	PSQ, Questionnaire	Sampled Overseas Exporter
Shenzhen SDGI Optical Network Technologies Co., Ltd.	PSQ, Questionnaire	Sampled Overseas Exporter
Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC)	PSQ	Non-cooperative
Jiangsu Zhongtian Technology Co. Ltd (ZTT)	PSQ	Non-cooperative
Suzhou Furukawa Power Optic Cable Co.,Ltd.	PSQ	Non-sampled
Shanghai Wanbao Optical Technologies Co. Ltd	PSQ	Non-sampled
Ningbo Geyida Cable Technology Co.,Ltd	PSQ	Non-sampled
XDK Communication Equipment Huizhou Co., Ltd.	PSQ	Non-sampled
Jiangsu Fasten Optical Cable Co., Ltd.	PSQ	Non-sampled
Hengtong Optic-Electric co. Ltd.	PSQ	Non-sampled
ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	PSQ	Non-sampled

FibreHome Telecommunication Technologies Co Ltd	PSQ	Non-sampled
Ministry of Commerce, PRC (MOFCOM)	Registration Questionnaire (RQ), Questionnaire	Participant
China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)	RQ, Questionnaire, additional submission	Participant
BT Telecommunications plc (BT)	PSQ	Non-cooperative
Mayflex	PSQ	Non-cooperative
Türk Prysmian Kablo Ve Sistemleri A.S.	RQ, Questionnaire	Participant
Corning Kablo ve Sistemleri Ltd.	RQ, Questionnaire	Participant

## Annex B: PCN Structure

Table 35: Product Control Number (PCN) structure

Description	Value	Comments
Type of single mode optical fibre in the cable	A	<a href="#">Type G.652D</a>
	B	<a href="#">Type G.657 A1</a>
	C	<a href="#">Type G.657 A2</a>
	D	<a href="#">Type G.654</a>
	E	Other types of single mode optical fibre
Number of fibres in the cable	NNNNN	An optical fibre cable with 48 fibres would be marked as 00048
First (innermost) cable jacket	A	polyethylene (PE) + embedded radial strength member (RSM)
	B	polyethylene (PE) sheath
	C	Halogen Free Flame Retardant (HFFR)
	D	Other type of jacket