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**No. 14/18/2015- DGAD
Government of India
Ministry of Commerce & Industry
Department of Commerce
(Directorate General of Anti-Dumping & Allied Duties)
4th Floor, Jeevan Tara Building, 5 Parliament Street, New Delhi - 110011**

Dated 12th April, 2016

INITIATION NOTIFICATION

Subject: Initiation of Countervailing Duty/ Anti-subsidy investigation concerning imports of certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in the People's Republic of China.

F. No. 14/18/2015- DGAD: Whereas M/s Jindal Stainless Limited and Jindal Stainless (Hisar) Limited (hereinafter referred to as the applicants or petitioners) filed an application before the Designated Authority (hereinafter referred to as the Authority), on behalf of the domestic industry, in accordance with the Customs Tariff Act 1975, as amended from time to time (hereinafter referred to as the Act) and Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995, as amended from time to time, (hereinafter referred to as the Rules), alleging subsidization of certain Hot Rolled and Cold Rolled Flat Products of Stainless Steel (hereinafter referred to as the subject goods), from People's Republic of China (hereinafter referred to as the subject country) and requested for initiation of an anti-subsidy investigation for levy of countervailing duties on the imports of the subject goods, originating in the subject country.

A. Allegation of subsidization

2. The applicant has alleged that the producers/exporters of the subject goods in People's Republic of China have benefited from the actionable subsidies provided by various levels in the Government of China, including the Governments of the different Provinces and Municipalities in which the producers/exporters are located, and other 'Public Bodies'. The applicant has relied upon the relevant Laws, Rules and Regulations and other Notification of the relevant Government Agencies and Public Bodies as available in the public domain and in the findings of other investigating Authorities who

have conducted comprehensive investigation of such schemes and concluded existence of countervailable subsidy programs.

B. Consultation

3. In terms of Article 13 of ASCM pre-initiation consultations were held with the representatives of the Government of the People's Republic of China on 10th March, 2016 in New Delhi. The comments of the Govt. of People's Republic of China has been taken on record.

C. Subsidy Programs

4. The `prima facie evidence provided by the applicant shows that the producers and exporters of the subject goods in the People's Republic of China have benefited from a number of subsidies granted by the Government of the People's Republic of China and/or other public bodies as listed below. The alleged subsidies consist of direct transfer of funds and potential direct transfer of funds or liabilities; Government revenue that is otherwise due is foregone or not collected; Provision of goods and services for less than adequate remuneration; etc.

I. Programs/scheme providing benefits in the Form of Grants

Program No. 1: The State Key Technology Renovation Projects Fund

Program No. 2: Famous Brands Program

Program No. 3: Direct Government Grants given by Jiangsu Province

Program No. 4: Grants for Antidumping Investigations

Program No. 5: Superstar Enterprise Grant

Program No. 6: Research & Development (R&D) Assistance Grant

Program No. 7: Export Assistance Grant

Program No. 8: Grants to Baoshan Steel

Program No. 9: Grants for Listing Shares

Program No. 10: Funds for Outward Expansion of Industries in Guangdong Province

Program No. 11: Grants provided through the Provincial Fund for Fiscal and Technological Innovation

Program No. 12: Various grants provided to Shandong Province

- a) Program No. 12 (a): Shandong Province's Special Fund for the Establishment of Key Enterprise Technology Centers
- b) Program No. 12 (b): Shandong Province's Award Fund for Industrialization of Key Energy-Saving Technology
- c) Program No. 12 (c): Shandong Province's Environmental Protection Industry Research and Development Funds
- d) Program No. 12 (d): Shandong Province's Construction Fund for Promotion of Key Industries

Program No. 13: Ad hoc subsidies

Program No. 14: Grants provided by Hebei Province

- a. Grants under the Science and Technology program of Hebei Province
- b. Government of Shijiazhuang City Export Award

Program No. 15: Various grants provided to Fuyang City

- a. Grant for Enterprises Paying Over RMB 10 Million in Taxes
- b. Grants under the Export of Sub-Contract Services Program
- c. Grants under Excellent New Products/Technology Award
- d. Investment grants from Fuyang City Government for key industries
- e. Grants for Enterprises Operating Technology and Research and Development Centers
- f. Local and Provincial Government Reimbursement Grants on export Credit Insurance Fees
- g. Initial Public Offering (IPO) Grants from the Hangzhou Prefecture and the City of Fuyang (Zhejiang Province) & (Anhui Province)

Program No. 16: Grant - Special Funds for Fostering Stable Growth of Foreign Trade

Program No. 17: Pension fund grants

Program No. 18: Provincial Government - Equipment Grant

Program No. 19- Treasury Bonds Loans or Grants

Program No. 20: Interim Measures of Fund Management of Allowance for Zhongsham Enterprises to Attend Domestic and Overseas Fair

Program No. 21: International Market Fund for Export Companies

Program No. 22- Special Fund for Energy Saving Technology Reform

Program No. 23- Small and Medium-sized Enterprise Support Funds

Program No. 24: Subsidies Provided in Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area

Program No. 25: State Special Fund for Promoting Key Industries and Innovation Technologies

II. Programs/schemes providing benefits in the Form of Export Financing and Export Credit

Program No. 26: Export Seller's Credit

Program No. 27: Export Buyer's Credit

Program No. 28: Other Export Financing from State-Owned Banks

III. Programs/schemes providing benefits in the Form of Tax & VAT Incentives

Program No. 29: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors

Program No. 30: Reduced Tax Rate for Productive FIEs Scheduled to operate for a Period not Less than 10 Years (Two Free, Three Half)

Program No. 31: Income Tax Reduction for Advanced Technology FIEs

Program No. 32: Preferential Tax Policies for FIEs and Foreign Enterprises and Certain Domestically-Owned Companies Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment

Program No. 33: Tax Policies for the deduction of research and development (R&D) expenses

Program No. 34: Preferential Tax Policies for the Research and Development of FIEs

Program No. 35: Preferential tax policies for companies that are recognised as high and new technology companies

Program No. 36: VAT Refunds for FIEs Purchasing Domestically-Produced Equipment

Program No. 37: Tax concessions for Central and Western Regions

Program No. 38: Income tax concessions for the enterprises engaged in comprehensive resource utilisation (special raw materials')

Program No. 39: Tax credit concerning the purchase of special equipment

Program No. 40: Enterprise Income Tax Rate Reduction in the Tianjin Port Free Trade Zone

Program No. 41: Income Tax exemption for investment in domestic technological renovation

Program No. 42: Income Tax Reductions under Article 28 of the Enterprise Income Tax Law

Program No. 43: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones- & Coastal Economic Open Areas and in the Economic and Technological Development Zones

Program No. 44: Preferential income tax policy for the enterprises in the Northeast region

Program No. 45: Tariff and VAT Exemptions for Imported Equipment

Program No. 46: Tax Offsets for Research and Development at FIEs

Program No. 47: Tax Preference Available to Companies that Operate at a Small Profit

Program No. 48: Tax Reductions for Export-Oriented FIEs

Program No. 49: Tax Reductions for Technology- or Knowledge-Intensive FIEs

Program No. 50: Various local tax discounts (Shandong Province, Chongqing City, Guangxi Region Zhuang, Tax privileges to develop central and western regions)

Program No. 51: VAT deduction on fixed assets in the Central region

Program No. 52: Shanghai Municipal Tax Refund for High-tech Achievement Commercialization Projects

Program No. 53: Local income tax and reduction program for the productive FIEs

Program No. 55: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai

Program No. 55: Local Income Tax Exemption and/or Reduction in SEZs in Guangdong and Hainan Island

Program: No. 56: Industrial Parks promoting growth of Steel Industry

Program No. 57: Other tax privileges of Ma'anshan

IV. Programs/schemes providing benefits in the Form of Provision of Goods and Services

Program No. 58: Provision of Electricity for Less than Adequate & Fair Market Value Remuneration

Program No. 59: Provision of Water for less than Adequate Remuneration

Program No. 60: Land Use Rights for SOEs

Program No. 61: Government Provision for Steel Scrap for Less than Adequate Remuneration

Program No. 62: Provision for Coking Coal for Less than Adequate Remuneration

Program No. 63: Hot rolled Steel (HRS) Provided by Government at Less than Fair Market Value

Program No. 64: Provision of Cold-Rolled for Less Than Adequate Remuneration

Program No. 65: Raw Materials Provided by the Government at Less than Fair Market Value

Program No. 66: Reduction in Land Use Fees, Land Rental Rates and Land Purchase Prices

Program No. 67: Exemptions from Administrative Charges for Companies in Industrial Zones and the Provision of Land-Use Rights for LTAR – Land Use Rights in Certain Industrial and SEZs

Program No. 68: Export Restrictions on Coke

Program No. 69: Shanghai Municipal Subsidy to Coal-Fired Power Plants for Emissions Reduction

Program No. 70: Purchase of Goods by the Government for higher than adequate Remuneration

V. Programs/schemes providing benefits in the Form of Preferential Loans & Lending

Program No. 71: Allowance to Pay Loan Interest

Program No. 72: Policy Loans

Program No. 73: Preferential Loans for SOEs (State Owned Enterprise)

Program No. 74: Credit Loan Guarantee by GOC

Program No. 75: Preferential export financing from the Export-Import Bank of China

IV. Programs/schemes providing benefits in the Form of Equity

Program No. 76: Debt for equity swaps

Program No. 77: Debt Forgiveness

Program No. 78: Deed Tax

Program No. 79: Dividend exemption between qualified resident enterprises

Program No. 80: Unpaid dividends

Program No. 81: Equity infusions

5. It has been alleged that the above schemes are subsidies since they involve a financial contribution from the Government of the People's Republic of China or other Regional or local governments, including public bodies and confer a benefit to the recipient. They are alleged to be contingent upon the use of domestic over imported goods and/or contingent upon export performance and/or limited to certain enterprises or groups of enterprises and/or products and/or regions, and therefore, specific and countervailable.

6. The Designated Authority reserves the right to investigate other subsidies, which may be found to exist and availed by the producers and exporters of the subject goods, during the course of the investigation.

D. Allegation of Injury and Causal Link

7. The applicants have furnished information on various parameters relating to 'injury' to the domestic industry as prescribed under Rules. The evidence provided by the applicant *prima facie* shows that the imports from subject country have increased, not only in absolute terms, but also in relation to production and consumption in India, and the import prices have significantly declined. Alleged subsidized imports appear to have caused price depression leading to losses for the domestic industry. Performance of the domestic industry has deteriorated in terms of underutilization of capacities,

profits, return on investments, cash flow and significant increase in inventory. The Authority notes that there is sufficient *prima facie* evidence that the 'injury' to the domestic industry has been caused by subsidized imports from People's Republic of China.

8. The domestic *industry* has further alleged that in view of significant spare capacity and export orientation of the producers in the subject country the subsidized imports are causing threat of material injury to the domestic industry.

E. Initiation of the Investigation

9. And whereas, the Authority finds that there is sufficient *prima facie* evidence of existence of significant countervailable subsidies on production and export of the subject goods in People's Republic of China and such subsidized imports are causing material injury to the domestic industry through their volume and price effects. Further, the domestic industry has provided *prima facie* evidence of existence of significant threat of material injury from the subsidized imports due to existence of significant spare capacities and export orientation of the producers of the subject goods in the subject country.

10. In view of the above position, the Authority hereby initiates an investigation into the alleged subsidization and consequent material injury and/or threat of material injury to the domestic industry in terms of the Rule 6 of the Rules supra, to determine the existence, degree and effect of alleged subsidization and to recommend the amount of countervailing duty, which, if levied, would be adequate to remove the injury to the domestic industry.

F. Domestic Industry

11. The application has been filed by M/s Jindal Stainless Limited and M/s Jindal Stainless (Hisar) Limited, two of the major stainless steel producers in the country. As per the evidence available on record, production of the applicant, being more than 50% of Indian production, accounts for a major proportion of the total domestic production. The applicants thus satisfy the requirements of Rule 2(b) and Rule 6(3) of the Rules and accordingly, M/s Jindal Stainless Limited and M/s Jindal Stainless (Hisar) Limited constitute the "domestic industry" within the meaning of Rule 2(b) of Rules supra.

G. Product under consideration

12. The product under consideration in the present investigation is "*Flat rolled products of stainless steel, whether hot rolled or cold rolled of all grades/series; whether*

or not in plates, sheets, or in coil form or in any shape, of any width, of thickness 1.2mm to 10.5mm in case of hot rolled coils; 3mm to 105mm in case of hot rolled plates & sheets; and up to 6.75 mm in case of cold rolled flat products. Product scope specifically excludes razor blade grade steel". The product under consideration is classified in Chapter 72 under customs subheading no. 7219 and 7220 of Schedule I of the Customs Tariff Act, 1975.

H. Like Articles

13. The applicant has claimed that the goods produced by the domestic industry are like articles to the subject goods originating in or exported from People's Republic of China. It has been stated that there is no significant difference in the subject goods produced by the applicant and those exported from People's Republic of China. The applicant claims that the two are technically and commercially substitutable. For the purpose of present investigation, the subject goods produced by the domestic industry are being treated as 'like articles' of the subject goods imported from People's Republic of China.

I. Country involved

14. The country involved in the present investigation is People's Republic of China (also referred to as People's Republic of China).

J. Period of investigation

15. The Period of Investigation (POI) in the present investigation is Jan 2015 to Dec., 2015 (12 months). The injury investigation period shall cover the periods 2012-13, 2013-14, 2014-15 and the period of investigation.

K. Procedure & Submission of information

16. The exporters in the People's Republic of China, Government of the People's Republic of China, importers and users in India known to be concerned with the product and the domestic industry are being informed separately to enable them to file all information relevant in the form and manner prescribed. Any other party interested to participate in the present investigation may also write to:

**The Designated Authority
Directorate General of Anti-Dumping & Allied Duties
Department of Commerce
Ministry of Commerce & Industry
4th Floor, Jeevan Tara Building, 5 Parliament Street, New Delhi – 110011**

17. As per Rule 7(5) of the Rules supra, the Designated Authority is also providing opportunity to the industrial users of the product under investigation, and to representative consumer organizations who can furnish information which is relevant to the investigation regarding subsidy, injury and causal link. Any other interested party may also make its submissions relevant to the investigation within the time limit set out below.

(i) Time limit

18. Any information relating to the present investigation should be sent in writing so as to reach the Authority at the address mentioned above not later than 40 (forty) days from the date of publication of this notification. The Government of China, known exporters and importers, who are being addressed separately, are however required to submit the information within 40 (forty) days from the date of the letter addressed to them separately. If no information is received within the prescribed time limit or the submitted information is incomplete, the Authority may record its findings on the basis of the facts available on record in accordance with the Rules. It may be noted that no request, whatsoever, shall be entertained for extension in the prescribed time limit.

(ii) Submission of Information on Non-Confidential basis

19. In terms of Rule 8 of the Rules, the interested parties are required to submit non-confidential version of any confidential information provided to the Authority. In case confidentiality is claimed on any part of the questionnaire's response/submissions, the same must be submitted in two separate sets (a) marked as Confidential (with title, index, number of pages, etc.) and (b) other set marked as Non-Confidential (with title, index, number of pages, etc.). All the information supplied must be clearly marked as either "confidential" or "non-confidential" at the top of each page.

20. Information supplied without any mark as "Confidential" shall be treated as non-confidential and the Authority shall be at liberty to allow the other interested parties to inspect any such non-confidential information. Two (2) copies each of the confidential version and the non-confidential version must be submitted.

21. For information claimed as confidential; the supplier of the information is required to provide a good cause statement along with the supplied information as to why such information cannot be disclosed and/or why summarization of such information is not possible.

22. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked-out/summarized depending upon the information on which confidentiality is claimed. The non-confidential summary must be in sufficient detail to permit a reasonable understanding of the substance of the information furnished on confidential basis. However, in exceptional circumstances, party submitting the confidential information may indicate that such information is not susceptible of summary; a statement of reasons why summarization is not possible, must be provided to the satisfaction of the Authority.

23. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied that the request for confidentiality is not warranted or the supplier of the information is either unwilling to make the information public or to authorize its disclosure in generalized or summary form, it may disregard such information.

24. Any submission made without a meaningful non-confidential version thereof or without a good cause statement on the confidentiality claim may not be taken on record by the Authority. The Authority on being satisfied and accepting the need for confidentiality of the information provided; shall not disclose it to any party without specific authorization of the party providing such confidential information.

(iii) Non cooperation

25. In terms of Rule 7(8), in case where an interested party refuses access to or does not provide necessary information within a reasonable period, or significantly impedes the investigation, the Authority may record its findings on the basis of the facts available to it and make such recommendations to the Central Government as deemed fit.

(iv) Inspection of Public File

26. In terms of Rule 7(7), any interested party may inspect the public file containing non-confidential version of the evidence submitted by other interested parties.

(v) Sampling

27. In view of the potentially large number of exporting producers in the People's Republic of China involved in this proceeding and in order to complete the investigation within the stipulated time limits, the Authority may limit the exporting producers to be investigated to a reasonable number by selecting a sample. The sampling shall be carried out, if required, in terms of Rule 17(3) of the Rules.

A.K. Bhalla
Additional Secretary & Designated Authority