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No.6/8/2018-DGAD  
Government of India  
Ministry of Commerce & Industry  
Department of Commerce  
(Directorate General of Anti-Dumping & Allied Duties)  
4<sup>th</sup> Floor, Jeevan Tara Building,  
5,Parliament Street, New Delhi - 110011  
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Dated 27th March , 2018

**INITIATION NOTIFICATION**

**Subject: Initiation of Countervailing Duty/ Anti-subsidy investigation concerning imports of New Pneumatic Tyres for Buses and Lorries from People's Republic of China.**

**F. No.6/8/2018-DGAD :** Whereas Automotive Tyre Manufacturer's Association (hereinafter referred to as "ATMA" or Petitioner/Petitioner Association) has filed an application on behalf of domestic producers namely Apollo Tyres Ltd., J. K. Tyre Industries Ltd., MRF Ltd. and Ceat Ltd., before the Designated Authority, 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 New Pneumatic Tyres for Buses and Lorries (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 petitioner 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 petitioner 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 determinations 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 20<sup>th</sup> March, 2018 in New Delhi. The comments of representatives of the Govt. of People's Republic of China have been taken on record.

## **C. Subsidy Programs**

4. The prima facie evidence provided by the petitioner shows that the producers and exporters of the subject goods in the People's Republic of China have benefited from a number of subsidies, as listed below, granted by the Government of People's Republic of China and/or other public bodies. The alleged subsidies consist of direct transfer of funds such as grants, preferential loans and equity infusion ; provision of goods and services by the Government or Public body for less than adequate remuneration; Revenue foregone by the Government or Public body such as Tax Incentives etc.

### **I. Programs/scheme providing benefits in the form of Grant**

#### **I. Identified Programs in the form of Grants:**

Program 1: Famous Brands Program

Program 2: Special Fund for Energy-Saving Technology Reform

Program 3: The Clean Production Technology Fund

Program 4: The State Key Technology Renovation Projects Fund

Program 5: Fixed Asset Investment Subsidies

Program 6: Venture Investment Fund of Hi-Tech Industry

Program 7: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment

Program 8: Innovative Small and Medium Enterprise Grants

Program 9: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments

Program 10: Superstar Enterprise Grant

Program 11: Export Assistance Grant

Program 12: Research & Development (R&D) Assistance Grant

Program 13: Subsidies for Companies Located in the Hefei Economic and Technology Development Zone

Program 14: Anhui Province Subsidies for Foreign-Invested Enterprises

Program 15: Hefei Municipal Export Promotion Policies

Program 16: Subsidies for Companies Located in the Kunshan Economic and Technological Development Zone

Program 17: Weihai Municipality Subsidies for the Automobile and Tyre Industries

Program 18: Subsidies for Companies Located in the Rongcheng Economic Development Zone

Program 19: Export Interest Subsidy Funds for Enterprises Located in Guangdong and Zhejiang Provinces

Program 20: Funds for “Outward Expansion” of Industries in Guangdong Province

Program 21: Direct Government Grants to Aeolus

Program 22: Direct Government Grants to Double Coin

Program 23: Direct Government Grants to GITI

Program 24: Direct Government Grants to Guizhou Tyre

Program 25: Direct Government Grants to Qingdao Double Star

Program 26: Direct Government Grants to Sailun Group

## **II. Identified Programs in the Form of Tax Incentives in China**

Program 27: Tax Policies for the deduction of research and development (R&D) expenses

Program 28 - Preferential Tax Policies for the Research and Development of FIEs

Program 29: Tax Offsets for Research and Development by FIEs

Program 30: Income tax credit for the purchase of domestically Produced & manufactured production equipment

Program 31: Preferential tax policies/ Income Tax Reductions for companies that are recognized as high and new technology companies

Program 32: Income tax concessions for the enterprises engaged in comprehensive resource utilization (special raw materials')

Program 33: Tax credit concerning the purchase of special equipment

Program 34: Income Tax credits for domestically owned Companies Purchasing Chinese made Equipment

Program 35: Tariff and VAT exemptions for imported Technologies and equipment

Program 36: VAT Refunds for domestic firms on Purchases of Chinese made Equipment

Program 37: VAT Exemptions and Deductions for central regions

Program 38: Reduced Tax Rate for productive FIEs scheduled to operate for a period not less Than 10 Years

Program 39- Preferential Tax policies for Foreign Invested Export Enterprises

Program 40- Preferential Tax policies for FIEs which are technology intensive and knowledge intensive

Program 41- Preferential Tax Policies for FIEs and Foreign Enterprises which have establishments or places in China and are engaged in production or business operations purchasing domestically produced equipments

Program 42- Income Tax refund for re-investment of FIE Profits by

## Foreign Investors

Program 43 - Income Tax reduction for Advanced Technology FIEs

Program 44: Preferential Tax policies for enterprises with Foreign Investment FIEs) established in Special Economic Zones (excluding Shanghai Pudong area)

Program 45: Preferential Tax policies for FIEs established in the Coastal Economic open areas and in the Economic and Technological Development Zones

Program 46: Local Income Tax exemption and/or Reduction in SEZs and other designated areas

Program 47: Corporate Income Tax exemption and/or reduction in SEZs and other designated areas

Program 48: Tariff and Value-added Tax (VAT) exemptions on imported materials and equipment in SEZs and other designated areas

Program 49: Preferential income tax policy for the enterprises in the Northeast region

Program 50: Tax concessions for Central and Western regions

### **III. Identified Programs in the Form of Preferential Loans & Lending**

Program 51: Government policy lending

Program 52: Preferential loans to SOE

Program 53: Discounted Loans for Export-Oriented Enterprises and Export loan interest subsidies

Program 54- Preferential loans and interest rates to the Tyre Industry

### **IV. Identified Programs in the Form of Export Financing and Export Credit**

Program 55: Export seller's credit

Program 56: Export buyer's credit

Program 57: Other export financing from State-Owned Banks

Program 58: Export credit insurance subsidies

Program 59: Export credit guarantees

**V. Identified Programs in the Form of Equity**

Program 60- Equity infusions

Program 61- Unpaid dividends

Program 62- Dividend exemption between qualified resident enterprises

**VI. Identified Programs in the Form of Provision of Goods and Services**

Program 63: Provision of electricity for less than adequate remuneration

Program 64: Provision of water for less than adequate remuneration

Program 65: Land Use rights in industrial and other Special Economic Zone

Program 66: Land Use rights for SOEs

Program 67- Land Use rights for FIEs

Program 68: Provision of Carbon Black for less than adequate remuneration

Program 69: Provision of Nylon Cord for less than adequate remuneration

Program 70: Provision of Synthetic Rubber and Butadiene for Less Than Adequate Remuneration

Program 71 - Provision of Natural Rubber for less than adequate remuneration

Program 72 - Purchase of goods by the Government for higher than adequate Remuneration

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 benefit to the recipient(s). They are also 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 petitioner has furnished information on various parameters relating to ‘injury’ to the domestic industry as prescribed under Rules. The evidence provided by the petitioner *prima facie* shows that the imports from subject country during the injury period have increased as compared to base year, not only in absolute terms, but also in relation to production and consumption in India,. Alleged subsidized imports appear to have caused price depression leading to decline in profits for the domestic industry. Performance of the domestic industry has deteriorated in terms of profits, return on investments, cash flow. The Authority notes that there is *prima facie* evidence that the ‘injury’ to the domestic industry has been caused by subsidized imports from People’s Republic of China.

#### **E. Initiation of the Investigation**

8. The Authority finds that there is *prima facie* evidence of existence of 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.

9. In view of the above position, the Authority hereby initiates an investigation into the alleged subsidization and consequent 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**

10. The application has been filed by the Automotive Tyre Manufacturer’s Association (referred to as “ATMA”) on behalf of Apollo Tyres Ltd., J. K. Tyre Industries Ltd., MRF Ltd. and Ceat Ltd., As per the evidence available on record, production of the petitioner, being more than 50% of Indian production, accounts for a major proportion of the total domestic production. The Authority, therefore, determines that the constituent domestic producers in the present application namely Apollo Tyres Ltd., J. K. Tyre Industries Ltd., MRF

Ltd. and Ceat Ltd constitute the domestic industry within the meaning of Rule 2 (b) and the application satisfies the criteria of standing in terms of Rule 6 (3) of the Rules supra.

#### **G. Product under consideration**

11. The product under consideration in the present investigation is “**New Pneumatic Tyres for Buses and Lorries**”, classifiable under Customs Sub-heading 4011.20.

#### **H. Like Articles**

12. The petitioner 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 petitioner and those exported from People’s Republic of China. The petitioner 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**

13. The country involved in the present investigation is People’s Republic of China.

#### **J. Period of investigation**

14. The Period of Investigation (POI) in the present investigation is October 2016-September, 2017 (12 months). The injury investigation period shall cover the periods 2014-15, 2015-16, 2016-17 and the period of investigation.

#### **K. Procedure & Submission of information**

15. 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 provide 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**

16. 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**

17. 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**

18. 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.

19. 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.

20. 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.

21. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked / 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 to summary; a statement of reasons why summarization is not possible, must be provided to the satisfaction of the Authority.

22. 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.

23. 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**

24. 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**

25. 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**

26. In view of the possibility of participation by large number of exporter(s)/producer(s) in the People's Republic of China involved in this proceeding and the limited time period for completion of the investigation, the Authority may limit the exporter(s)/producer(s) 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.

**(Sunil Kumar)**  
**Additional Secretary & Designated Authority**