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**F. No. 6/26/2020-DGTR  
Government of India  
Department of Commerce  
Ministry of Commerce & Industry  
(Directorate General of Trade Remedies)  
4th Floor, Jeevan Tara Building, 5, Parliament Street, New Delhi - 110001**

Dated 20.07.2020

**INITIATION NOTIFICATION**

**Case No. CVD OI -05/ 2020**

**Subject: Initiation of anti-subsidy investigation concerning imports of “Viscose Rayon Filament Yarn above 60 deniers” originating in or exported from China PR.**

1. Association of Man-Made Fibre Industry of India (AMFII) (hereinafter also referred to as the “Applicant”) has filed an application before the Designated Authority (hereinafter also referred to as the “Authority”), on behalf of domestic industry, in accordance with the Customs Tariff Act, 1975 as amended from time to time (hereinafter also referred to as the “Act”) and Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and Determination of Injury) Rules, 1995, as amended from time to time (hereinafter also referred to as the “Rules”) for anti-subsidy investigation concerning imports of “Viscose Rayon Filament Yarn above 60 deniers” (hereinafter also referred to as “subject goods” or “product under consideration” or “PUC”), originating in or exported from China PR (hereinafter also referred to as the “subject country”).
2. The applicant has alleged that material injury to the domestic industry is being caused due to subsidized imports from the subject country and has requested for imposition of countervailing duty on imports of subsidized subject goods, originating in or exported from the subject country.

**A. Product under consideration**

3. The product under consideration in the present investigation is “Viscose Rayon Filament Yarn above 60 deniers, excluding (a) ready to use yarn/thread on bobbin for embroidery applications and (b) yarn produced through spool spun technology”. The product is also known as Viscose Filament Yarn or Rayon Filament Yarn, Art Silk Yarn, Cellulose Yarn or Rayon Yarn in market parlance. The yarn may be single or twisted or double twisted or untwisted. It can be produced

through three different technology/processes - Pot Spun Yarn (PSY), Continuous Spun Yarn (CSY) and Spool Spun Yarn (SSY). Yarn produced through each process finds different usage in different segment because of different specifications. The scope of the product under consideration in the present application is restricted to the yarn produced through Pot Spun Yarn and Continuous Spun Yarn technology.

4. The product resembles silk, cotton and wool in its feel and texture. It is used in making woven fabrics, home furnishings, knitting and others. It is a popular choice for making fabrics such as georgettes, crepes and chiffons.
5. The product is classified under chapter 54 of the Customs Tariff Act, 1975 under customs heading 540120, 540331, 540332 and 540341. The applicant has submitted that the product under consideration has been imported under 54012000, 54033100, 54033200, 54034110, 54034120, 54034130, 54034150, 54034170, 54034190, 54034290 and 54034990. The Customs classification is only indicative and not binding on the scope of this investigation.

**B. Like Article**

6. The applicant has claimed that the subject goods exported to India are identical to the goods produced by the domestic industry. Subject goods produced by the domestic industry are comparable to the imported goods from subject countries in terms of technical specifications, manufacturing process & technology, functions & uses, pricing, distribution & marketing and tariff classification of the goods. The two are technically and commercially substitutable and should be treated as 'like article' under the Rules. Therefore, for the purpose of the present investigation, the subject goods produced by the applicant is being treated as 'Like Article' to the subject goods being imported from the subject country.

**C. Domestic industry**

7. The Application has been filed by Association of Man-Made Fibre Industry of India (AMFII) with data provided by the domestic producer M/s. Grasim Industries Limited. It has been claimed that the domestic producer M/s. Grasim Industries Limited has neither imported the subject goods from the subject country nor is related to any exporter or producer of subject goods in the subject country.
8. As per evidence available on record, the domestic producer expressly supporting the application accounts for a major proportion in the domestic production of the like article in India. On the basis of information available, the Authority has considered the Applicant as Domestic Industry within the meaning of the Rule 2(b) and satisfies the criteria of standing in terms of Rule 6(3) of the Rules.

**D. Basis of Alleged Subsidization**

9. The applicant has alleged that the producers/exporters of the subject goods in the subject country have benefitted from actionable subsidies provided at various levels by the Government of the subject country, including the provinces and districts in which producers/exporters are located, and other Public bodies. The applicant has relied upon the relevant laws, Rules and Regulations

and other Notifications of the relevant Government Agencies and Public bodies.

10. The following subsidies/programs have been alleged by the domestic industry:

**I. Scheme Identified in form of Grants:**

**Program No 1:** The Special fund to support the restructuring of the textiles industry and the efforts of Chinese textile companies to “Go Global”

**Program No 2:** The clean production technology fund/ development and demonstration of high efficiency spinning and clean production technology of differentiated regenerated cellulose fiber

**Program No 3:** Funds for supporting technological innovation for the technological small and medium-sized enterprise

**Program No 4:** Traditional industries upgrade fund – Incentive for science and technology funds

**Program No 5:** Special fund for the development of foreign trade and economic cooperation/ fund for the development of International Economic Relations and Trade

**Program No. 6:** Special fund for energy saving technology reform / incentive fund for transformation of energy-saving technology

**Program No. 7:** Research & Development (R&D) assistance grant

**Program No. 8:** Grants for High and new technology industries

**Program No. 9:** Fund for effluent treatment plant

**Program No. 10:** Various grants provided by provincial Authority of Henan province

**Program No 11:** Various grants provided by provincial Authority of Jilin

**Program No.12:** Various grants provided by provincial Authority of Sichuan province

**II. Schemes identified as Tax & VAT Incentives**

**Program No. 13:** Preferential tax policies for companies that are recognized as high and new technology companies /Income tax reductions under Article 28 of the Enterprise Income Tax Law/ Preferential income tax for non-resident enterprises (NRE) under Article 4 of Enterprise Tax law

**Program No. 14:** Exemption or reduction from corporate income tax for the enterprises engaging in environmental protection, energy conservation and water conservation projects that meet the requirements

**Program No. 15:** Preferential tax policies for the additional calculation and deduction of research and development (R&D) expenses/Preferential income tax benefits for research and development investments

**Program No. 16:** Preferential tax policies for clean development mechanism

**Program No. 17:** Preferential tax treatment for import of equipment

**Program No. 18:** Accelerated depreciation on fixed assets

**Program No. 19:** Tax refund on exports (export tax rebate)

**Program No. 20:** Tax preference available to companies that operate at a small profit

**Program No. 21:** Reduced tax rate for productive FIEs scheduled to operate for a period not less than 10 years

**Program No. 22:** Exemption of tariff and import VAT for imported technologies and equipment

**Program No.23:** Preferential VAT on integrated utilization of resources/ VAT refunds for FIEs

### **III. Schemes identified as Loans and Export Financing**

**Program No. 24:** Preferential lending

**Program No. 25:** Loan guarantee/credit loan guarantee by GOC/Export credit guarantees

**Program No. 26:** Preferential export financing from the Export-Import Bank of China

**Program No. 27:** Export seller's credit

**Program No. 28:** Export buyer's credit

**Program No. 29:** Export credit insurance subsidies

### **IV. Schemes identified as Equity Infusions**

**Program No. 30:** Equity infusions

**Program No. 31:** Debt for equity swaps

### **V. Schemes identified as Provisions of Goods & Services for LTAR**

**Program No. 32:** Raw material at less than adequate remuneration (LTAR)

**Program No. 33:** Land /Land use rights provided for less than adequate remuneration (LTAR)

**Program No. 34:** Electricity provided for less than adequate remuneration (LTAR)

**Program No. 35:** Water provided for less than adequate remuneration (LTAR)

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

### **E. Consultation**

11. Consultation was held on 10<sup>th</sup> July, 2020 and was attended by the official of the Government of China PR. The Government of China PR denied existence/ applicability of certain programs and non-availment of some of the program by producers/exporters of the product under consideration. Accordingly, program nos. 1,2,3,4,6,8 and 21 have been taken out from the purview of the investigation. The Authority considers that the existence of other alleged programs, their countervailability and extent of benefit therein are required to be analyzed through an investigation as per the relevant Rules.

### **F. Injury and Causal Link**

12. Information furnished by the Applicant has been considered for assessment of injury to the domestic industry. The Applicant has furnished prima facie evidence regarding the injury having taken place due to the alleged subsidization, resulting in increased volume of subsidized imports in absolute terms and in relation to production and consumption in India and price suppression effect on the domestic industry. The performance of the domestic industry has been adversely impacted in respect of production, capacity utilization, sales, profits, return on capital employed and cash flow, as a result of subsidized exports from subject country. There is sufficient prima facie evidence of material injury being caused to the domestic industry by subsidized exports from the subject country to justify initiation of a countervailing duty investigation.

### **G. Initiation of Countervailing Duty Investigation**

13. On the basis of the duly substantiated written application by or on behalf of the domestic industry, and having satisfied itself, on the basis of the prima facie evidence submitted by the domestic industry, substantiating subsidization of the subject goods originating in or exported from the subject country, injury to the domestic industry and causal link between such alleged subsidization and injury, and in accordance with Section 9 of the Act read with Rule 6 of the Rules, the Authority hereby initiates an investigation to determine the existence, degree and effect of alleged subsidies except those under programs 1,2,3,4,6,8 and 21 in respect of the subject goods originating in or exported from the subject country and to recommend the amount of countervailing duty, which, if levied, would be adequate to remove the injury to the domestic industry.

### **H. Subject Country**

14. The subject country for the investigation is China PR.

### **I. Period of Investigation (POI)**

15. The Applicant proposed 1<sup>st</sup> April 2019 to 31<sup>st</sup> December 2019 (9 months) as the period of investigation (hereinafter also referred to as "POI"). However, the Authority has adopted the period 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020 (12 months) as the POI in the investigation. The injury investigation period will cover the period 2016-17, 2017-18, 2018-19 and POI.

### **J. Procedure**

16. Principles as given in Rule 7 of the Rules shall be followed for the present investigation.

### **K. Submission of Information**

17. In view of the special circumstances arising out of COVID-19 pandemic, all communication should be sent to the Designated Authority via email at the email addresses [adg12-dgtr@gov.in](mailto:adg12-dgtr@gov.in) and [dir14-dgtr@gov.in](mailto:dir14-dgtr@gov.in).
18. The known producers/exporters in the subject country, Government of the subject country through their Embassy in India, the importers and users in India known to be concerned with the subject goods and the domestic industry are being informed separately to enable them to file all the relevant information in the form and manner prescribed within the time-limit set out below.
19. Any other interested party may also make its submissions relevant to the investigation in the prescribed form and manner within the time limit set out below.
20. Any party making any confidential submission before the Authority is required to make a non-confidential version of the same available to the other parties.

**L. Time Limit**

21. Any information relating to the present investigation should be sent to the Designated Authority via email at the email addresses adgl2-dgtr@gov.in and dir14-dgtr@gov.in within 30 days from the date of receipt of the notice as per as per Rule 7(4) of the Rules. If no information is received within the prescribed time limit or the information received is incomplete, the Authority may record its findings on the basis of the facts available on record in accordance with the Rules.
22. All interested parties are advised to intimate their interest (including the nature of interest) in the instant matter and file their questionnaire responses within the above time limit.

**M. Submission of information on confidential basis**

23. Any party making any confidential submission or providing information on confidential basis before the Authority, is required to simultaneously submit a non-confidential version of the same in terms of Rule 8(2) of the Rules. Failure to adhere to the above may lead to rejection of the response / submissions.
24. The parties making any submission (including Appendices/Annexures attached thereto), before the Authority including questionnaire response, are required to file Confidential and Non-Confidential versions separately.
25. The “confidential” or “non-confidential” submissions must be clearly marked as “confidential” or “non-confidential” at the top of each page. Any submission made without such marking shall be treated as non-confidential by the Authority, and the Authority shall be at liberty to allow the other interested parties to inspect such submissions.
26. The confidential version shall contain all information which is by nature confidential and/or other information which the supplier of such information claims as confidential. For information which are claimed to be confidential by nature or the information on which confidentiality is claimed because of other reasons, 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.
27. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked out (in case indexation is not feasible) and 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, the party submitting the confidential information may indicate that such information is not susceptible to summary, and a statement of reasons why summarization is not possible must be provided to the satisfaction of the Authority.
28. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied the request for confidentiality is not warranted or if 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.
29. Any submission made without a meaningful non-confidential version thereof or without good cause statement on the confidentiality claim shall not be taken on record by the Authority.

30. 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 information.

**N. Inspection of Public File**

31. In terms of Rule 7(7) of the Rules, any interested party may inspect the public file containing non-confidential version of the evidence submitted by other interested parties. The modality of maintaining public file in electronic mode is being worked out.

**O. Non-cooperation**

32. In case where an interested party refuses access to, or otherwise 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.



**(B. B Swain)**

**Special Secretary & Designated Authority**