

To be published in Part-I Section I of the Gazette of India Extraordinary

**Government of India
Ministry of Commerce & Industry
Department of Commerce
(Directorate General of Anti-Dumping & Allied Duties)
Udyog Bhawan, New Delhi - 110011**

Dated 29th May, 2014

INITIATION NOTIFICATION

Subject: Initiation of Countervailing Duty investigation concerning imports of Castings for Wind Operated Electricity Generators, whether or not machined, in raw, finished or sub-assembled form, or as a part of a sub-assembly, or as a part of an equipment/component meant for wind-operated electricity generators, originating in or exported from China PR.

F. No.17/6/2013-DGAD: M/s. Larsen & Toubro Limited (hereinafter referred to as the applicant) 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 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 to time, (hereinafter referred to as the Rules), alleging subsidization of Castings for Wind Operated Electricity Generators, whether or not machined, in raw, finished or sub-assembled form, or as a part of a sub-assembly, or as a part of an equipment/component meant for wind-operated electricity generators, (hereinafter referred to as the subject goods), originating in or exported from China PR (hereinafter referred to as the subject country) and requested for initiation of anti-subsidy investigation for levy of countervailing duties on the imports of the subject goods, originating in or exported from the subject country.

2. And whereas, the Authority finds that sufficient prima facie evidence of countervailable subsidies, in relation to imports of the subject goods, originating in or exported from China PR, injury to the domestic industry and causal link between the alleged subsidies and injury to the domestic industry exist to justify initiation of a countervailing duty investigation.

3. In view of the position, the Authority hereby initiates an investigation into the alleged subsidisation and consequent injury to the domestic industry in terms of the Rule 6 of the Rules, to determine the existence, degree and effect of alleged subsidies and to recommend the amount of countervailing duty, which, if levied, would be adequate to remove the injury to the domestic industry.

Domestic Industry

4. The application has been filed by M/s Larsen & Toubro Limited as domestic industry. 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 application thus satisfies the requirements of Rule 2(b) and Rule 6(3) of the Rules. Thus, M/s. Larsen & Toubro Limited is being treated as “domestic industry” within the meaning of Rule 2(b) of Rules supra.

Product under consideration

5. The product under consideration in the present investigation is “Castings for Wind Operated Electricity Generators, whether or not machined, in raw, finished or sub-assembled form, or as a part of a sub-assembly, or as a part of an equipment/component meant for wind-operated electricity generators”. A Windmill requires a number of casting parts, including the Hub, Rotohub, Rotor Nabe, Main Frame, Base Frame, Main Foundation, Nacelle, Nacelle Frame, Nacelle Foundation, Bearing Housing, Bearing Support, Hollow Shaft, Main Axle, Rotor Shaft, Rotor Coupling, Axle Pin, Main Shaft, Lateral Suspender, Pitch Stop, Stator, Generator castings, Part of Generators, Rotor, Torque Arm support, etc. The basic function of a casting is in a wind turbine, to be used in a wind mill along with some other non-casting parts and components like blades, etc. which leads to the generation of electricity.

6. The product under consideration is classified under Customs sub-heading No. 8503 under the Customs Tariff Act, 1975. The product under consideration does not have dedicated customs classification. The classification is, however, indicative only and in no way binding on the scope of the present investigation.

Like Articles

7. The applicant has claimed that the goods produced by the domestic industry are like articles to the subject goods originating in or exported from China PR. It has been stated that there is no significant difference in the subject goods produced by the applicant and those exported from China PR. 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 China PR.

Country involved

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

Period of investigation

9. The Period of Investigation (POI), as proposed by the applicant, was from 1st October 2012 to 30th September 2013 (12 months). However, to make required analysis on the basis of more updated data, the Authority has determined the POI as 1st October 2012 to 31st December 2013 (15 months). For the purpose of analyzing injury, the data of previous three years, i.e. April 2010 – March, 2011, April 2011 – March 2012, April 2012 - March 2013 and the POI.

Allegation of subsidisation

10. The applicant has alleged that the producers/exporters of the subject goods 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. The applicant has relied upon documents such as the Canadian Investigation Authority's Statements of Reasons for various investigations, a US countervailing duty investigation finding, European Union finding, Australian reports, relevant Chinese laws and regulations, media sources, government reports and independent reports, analysis and studies. The evidence provided by the applicant *prima facie* shows that the producers/exporters of the subject goods in the subject country have benefited from a number of subsidies granted by the Government of the People's Republic of China.

11. The claim of actionable subsidies consist, inter alia, of the following programmes:

I. Special Economic Zone(SEZ) Incentives and Other Designated Areas

Program 1: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (excluding Shanghai Pudong Area).

Program 2: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones

Program 3: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai

Program 4: Corporate Income Tax Exemption and/or Reduction in SEZs and Other Designated Areas

Program 5: Local Income Tax Exemption and/or Reduction in SEZs and Other Designated Areas

Program 6: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and Other Designated Areas

Program 7: Preferential Tax for Casing and Forging Systems

II. GRANTS

Program 8: The State Key Technology Renovation Projects Fund

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

Program 10: Research & Development (R&D) Assistance Grant

Program 11: Innovative Experimental Enterprise Grant

Program 12: Superstar Enterprise Grant

Program 13: Awards to enterprises whose products qualify for "Well-Known Trademarks of China" or "Famous Brands of China"

Program 14: Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"

Program 15: Venture Investment Fund of Hi-Tech Industry

Program 16: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment

Program 17: Innovative Small and Medium Enterprise Grants

Program 18: Grants to Privately-Owned Export Enterprises

III. EQUITY PROGRAM

Program 19: Equity infusions

Program 20: Unpaid dividends

Program 21: Preferential loans and interest rates to the casting industry

Program 22: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period not Less Than 10 Years

Program 23: Preferential Tax Policies for Foreign Invested Export Enterprises

Program 24: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive

Program 25: Preferential Tax Policies for the Research and Development of FIEs

Program 26: 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 27: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipments for Technology Upgrading Purpose

Program 28: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors

IV. RELIEF FROM DUTIES AND TAXES ON MATERIALS AND MACHINERY

Program 29: Exemption of Tariff and Import VAT for Imported Technologies and Equipment

Program 30: Reduction in Land Use Fees

Program 31: Input Materials Hot Rolled Steel Provided by Government at Less than Fair Market Value

Program 32: Hot rolled Steel Provided by Government at Less than Fair Market Value

Program 33: Electricity provided by Government at less than Fair Market Value:

Program 33: Land for Less Than Adequate Remuneration to Companies Located in Industrial or Other Special Economic Zones

Program 34: Programme consisting of provision of water for less than adequate remuneration

Program 35: Provision of various goods for less than adequate remuneration

Program 36: Tax Policies for the deduction of research and development (R&D) expenses

Program 37: Tax concessions for Central and Western Regions

Program 38: Income tax credit for the purchase of domestically manufactured production equipment

Program 39: Preferential tax policies for companies that are recognised as high and new technology companies

Program 40: Income tax concessions for the enterprises engaged in comprehensive resource utilisation (special raw materials')

Program 41: Tax credit concerning the purchase of special equipment

Program 42: Preferential income tax policy for the enterprises in the Northeast region

Program 43: Dividend exemption between qualified resident enterprises

Program 44: Purchase of Goods by the Government for higher than adequate Remuneration

12. The evidence provided by the applicant prima facie shows that the above programmes constitute countervailable subsidies since they involve a financial contribution or income or price support from the Government of the People's Republic of China or other regional governments (including public bodies) and confer a benefit to the recipients. They are alleged to be contingent upon export performance and/or the use of domestic over imported goods and/or are limited to certain sectors and/or types of enterprises and/or locations, and are therefore specific and countervailable.

13. Apart from the above stated programmes of Government of China PR, alleged to be actionable subsidies, the Designated Authority may investigate in to any other program of Government of China PR which may be revealed during the course of the investigation as actionable subsidies.

Consultation

14. The pre-initiation consultations were held with the representatives of the Government of China PR on 5th May 2014 in New Delhi. During the consultations, the Government of China has claimed that some of the alleged subsidy schemes/programmes have already been rescinded. However, the Government of China PR has not provided any evidence in support of their aforesaid claim. Further, the Government of China PR has not disputed the existence of other alleged subsidies/programmes. In view of the above position, the Authority holds that there is sufficient prima facie evidence with regard to existence of countervailable subsidies to justify initiation of countervailing duty investigation against China PR in terms of the Rules.

Injury and Causal Link

15. The applicant has 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. Performance of the domestic industry has deteriorated in terms of production, capacity utilization, sales values & volume, profits, return on investments, cash flow and market share. Imports are significantly undercutting the prices of domestic industry and the effect of the imports is to depress prices to a significant degree. The Authority notes that there is sufficient prima facie evidence that the 'injury' to the domestic industry has been caused by subsidized imports from China PR to justify initiation of a countervailing duty investigation in terms of the Rules.

Procedure & Submission of information

16. During the course of the investigation, the Authority will determine whether the product concerned originating in the subject country is being subsidised and countervailable and whether this subsidization has caused injury to the Indian domestic industry.

17. The exporters in China PR, Government of China PR, importers and users in India known to be concerned 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 write to:

**The Designated Authority
Directorate General of Anti-Dumping & Allied Duties
Department of Commerce
Ministry of Commerce & Industry
Room No.240, Udyog Bhawan
New Delhi-110107**

18. 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.

Time limit

19. 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.

20. Any information relating to this investigation should be sent in writing so as to reach the Authority at the above address not later than 40 days from the date of publication of this notification. If no information is received within the prescribed time limit or the information received is incomplete, the Authority may record their findings on the basis of the facts available on record in accordance with the Rules supra.

Submission of Information on Non-Confidential basis

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

Non cooperation

27. 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.

Inspection of Public File

28. 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.

J.S. Deepak
Designated Authority