



2025/1732

14.8.2025

COMMISSION IMPLEMENTING REGULATION (EU) 2025/1732

of 13 August 2025

imposing a provisional anti-dumping duty on imports of candles, tapers and the like originating in the People's Republic of China

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union ⁽¹⁾ ('the basic Regulation'), and in particular Article 7 thereof,

After consulting the Member States,

Whereas:

1. PROCEDURE

1.1. Initiation

- (1) On 19 December 2024, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of candles, tapers and the like originating in the People's Republic of China ('the country concerned', 'the PRC' or 'China') on the basis of Article 5 of the basic Regulation. It published a Notice of Initiation in the *Official Journal of the European Union* ⁽²⁾ ('the Notice of Initiation').
- (2) The Commission initiated the investigation following a complaint lodged on 4 November 2024 by Union producers representing more than 25 % of the total Union production in the period from 1 April 2023 to 31 March 2024 ('the complainant'). The complaint was made on behalf of the Union industry of candles, tapers and the like in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

1.2. Registration

- (3) The Commission made imports of the product concerned subject to registration by Commission Implementing Regulation (EU) 2025/511 ⁽³⁾ ('the registration Regulation').

1.3. Interested parties

- (4) In the Notice of Initiation, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the complainant, other known Union producers, the known exporting producers and the Government of China ('GOC'), known importers, suppliers and users, traders, as well as associations known to be concerned about the initiation of the investigation and invited them to participate.
- (5) Interested parties had an opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

⁽¹⁾ OJ L 176, 30.6.2016, p. 21, ELI: <http://data.europa.eu/eli/reg/2016/1036/oj>.

⁽²⁾ Notice of initiation of an anti-dumping proceeding concerning imports of candles, tapers and the like originating in the People's Republic of China (OJ C, C/2024/7459, 19.12.2024, ELI: <http://data.europa.eu/eli/C/2024/7459/oj>).

⁽³⁾ Commission Implementing Regulation (EU) 2025/511 of 20 March 2025 making imports of candles, tapers and the like originating in the People's Republic of China subject to registration (OJ L, 2025/511, 21.3.2025, ELI: http://data.europa.eu/eli/reg_impl/2025/511/oj).

1.4. **Comments on initiation**

- (6) Following initiation, one exporting producer, Qingdao Kingking Applied Chemistry Co Ltd ('Qingdao Kingking') and one association of candle producers, China Household Chemicals Industry Association ('CHCIA') questioned the product scope of the investigation.
- (7) CHCIA considered that the definition of the product under investigation was broad and vague, suggesting that the two representative examples provided in the complaint - white unscented tea lights in aluminium cups and fragrant glass candles - are incomplete and outdated compared to what exporting producers are currently exporting. CHCIA considered that a significant portion of the sales to the Union by Chinese exporting producers are more sophisticated and requires significant artistic knowledge and manual skills to produce, and which Union producers cannot manufacture due to labour costs.
- (8) To conclude, CHCIA requested the exclusion of handmade decoration candles, candles in containers of glass or ceramic cups and scented candles.
- (9) Qingdao Kingking echoed the view of CHCIA and considered that the definition of the product under investigation was too vague. It also repeated the request by CHCIA that certain types of candles should be excluded from the investigation, such as:
 - Candles that are designed to feature specific objects, figures or themes, that are manufactured for decoration (and not solely for light and heat)
 - Candles or its containers that undergo spraying, painting, laser engraving or 3-D printing
 - All candles in containers other than glass or aluminium
 - Candles that are sold as an accessory to a set of decorative or scented part (such as perfume)
 - Candles that are lighted by battery driven LED-lamps
- (10) The complainant disagreed with the arguments of Qingdao Kingking and CHCIA and opposed to the product exclusion request submitted by them. It stressed that the two types of representative candles in the complaint referred to in recital 7 above are representative of imported candles, not representative of what Union candle producers manufacture. It also stressed the need to keep the definition of the product under investigation as it was provided for in the Notice of Initiation since Union producers' candle output also include the products for which CHCIA and Qingdao Kingking requested an exclusion.
- (11) The Commission considered that, all candles, tapers and the like should be treated as the product under investigation. The Commission recalled that the system of Product Control Number will ensure that candles with a certain container, with or without colour and with or without scent will only be compared with a similar type of candle.

1.5. **Sampling**

- (12) In the Notice of Initiation, the Commission stated that it might sample the interested parties in accordance with Article 17 of the basic Regulation.

1.5.1. *Sampling of Union producers*

- (13) In its Notice of Initiation, the Commission stated that it had provisionally selected a sample ⁽⁴⁾ of Union producers. The Commission selected the sample on the basis of volume of production and sales of the like product in the Union in the investigation period. This sample consisted of three Union producers. Due to the inability of a sampled producer, HANSA CANDLE (Estonia), to provide a response to the questionnaire, the Commission decided to replace ⁽⁵⁾ this company with another producer, Løgumkloster Lys (Denmark). However, the newly sampled producer was also unable to provide a response to the questionnaire. Consequently, the final sample comprised of two Union producers. At the time the sampling was conducted, these two producers accounted for over 35 % of the

⁽⁴⁾ AD726 Candles_Note to the file_Provisional sample_EU producers of 19/12/2024; t24.011572
AD726 Note for the file - definitive sample of EU producers of 17/01/2025; 25.001025.

⁽⁵⁾ AD726 Note for the file - Change definitive sample of EU producer of 24/02/2025; t25.002394.

production and more than 40 % of the sales volume of the companies participating in the standing. After verifying the macro-questionnaire, it was determined that these companies accounted for over 16 % of the estimated production and more than 17 % of the estimated sales volume of the Union industry in the Union. The Union's industry comprises a large number of companies, more than 80 in total, including both large firms and a wide range of small and medium-sized enterprises. Given this structure, a 16 – 17 % share is considered representative of the broader industrial landscape. The sample is representative of the Union industry.

1.5.2. *Sampling of unrelated importers*

- (14) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation. However, no unrelated importers came forward, nor provided the necessary information within the deadline. As a result, no sampling of unrelated importers was conducted.

1.5.3. *Sampling of exporting producers*

- (15) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in the PRC to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the People's Republic of China to the European Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.

Seventy-three exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of three exporting producers on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned and the authorities of the country concerned were consulted on the selection of the sample ⁽⁶⁾. The Commission did not receive any objections to the proposed sample. After a clerical update by one of the provisionally non-sampled exporting producers, the Commission finally determined ⁽⁷⁾ the sample to consist of three exporting producers, collectively exporting more than 50 % by volume to the Union during the investigation period.

1.6. **Individual examination**

- (16) One exporting producer in the PRC requested individual examination under Article 17(3) of the basic Regulation. The examination of this request during the provisional stage of the investigation would have been unduly burdensome due to the complexity of the case, the production processes and the corporate structure of the sampled exporting producers. The Commission will decide whether to grant individual examination at the definitive stage of the investigation.

1.7. **Questionnaire replies and verification visits**

- (17) The Commission sent a questionnaire concerning the existence of significant distortions in the PRC within the meaning of Article 2(6a)(b) of the basic Regulation to the GOC.
- (18) Furthermore, the complainant provided in the complaint sufficient prima facie evidence of raw material distortions in the PRC regarding the product concerned. Therefore, as announced in the Notice of Initiation, the investigation covered those raw material distortions to determine whether to apply the provisions of Article 7(2a) and 7(2b) of the basic Regulation with regard to the PRC. For this reason, the Commission sent additional questionnaires in this regard to the GOC.

⁽⁶⁾ TRON t25.000237 of 6 January 2025.

⁽⁷⁾ TRON t25.000574 of 10 January 2025.

- (19) The Commission sent questionnaires to the Union producers, the sampled exporting producers in the PRC, the known importers and users. The same questionnaires were made available online ⁽⁸⁾ on the day of initiation.
- (20) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Verification visits pursuant to Article 16 of the basic Regulation were carried out at the premises of the following companies:

***Union producers* ⁽⁹⁾**

- Company 1
- Company 5

Exporting producers in the PRC

- Ningbo Kwung's Wisdom Art & Design Co., Ltd and related companies, Ningbo City, Zhejiang province
- Qingdao Kingking Applied Chemistry Co Ltd, Qingdao City, Shandong province
- Ningbo Kwung's Home Interior & Gift Co Ltd and related companies, Ningbo City, Zhejiang province.

1.8. Investigation period and period considered

- (21) The investigation of dumping and injury covered the period from 1 October 2023 to 30 September 2024 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2021 to the end of the investigation period ('the period considered').

2. PRODUCT UNDER INVESTIGATION, PRODUCT CONCERNED AND LIKE PRODUCT

2.1. Product under investigation

- (22) The product under investigation is candles, tapers and the like, currently classified under CN code 3406 00 00 ('the product under investigation').
- (23) The production process to manufacture candles consists in heating raw materials (mainly paraffin wax) and shaping the candle in moulds or containers in a cooling process. The most common raw material used for producing candles, tapers and the like is paraffin wax. Paraffin wax is derived from mineral raw materials, in particular mineral oil, coal or oil shale, and to a lesser extent, natural gas. The product concerned may also be produced with other fuel waxes, such as animal or vegetable stearin.
- (24) Candles produce heat and light, but are largely used for interior decoration purposes, for example in various candle holders, pillars and other decoration items, or for outdoor purposes.
- (25) The product under investigation comes in a great variety of sizes, shapes and weight. It can be plain white or coloured (either entirely or only at the outside), scented or unscented, and decorated or undecorated. The surface can be smooth or rough. The product concerned can be contained in a glass/jar or containers of various materials (e.g. ceramic, aluminium, plastic). There are also variances in terms of the wick used in the candle. They may be flat, square, cored (with materials like cotton or tin), wooden, or speciality (i.e., designed to meet the burn characteristics of specific candle applications).

⁽⁸⁾ <https://tron.trade.ec.europa.eu/investigations/case-view?caseId=2771>.

⁽⁹⁾ Company 1 and Company 5 are part of the complainant, who submitted the request under the condition that each producer be granted anonymous treatment, citing a genuine risk of commercial retaliation from their Union customers, who are also customers of the Chinese exporting producers. The Commission considered the request for anonymity to be duly warranted and granted it accordingly.

2.2. Product concerned

- (26) The product concerned is candles, tapers and the like originating in the PRC, currently falling under CN code 3406 00 00 ('the product concerned').

2.3. Like product

- (27) The investigation showed that the following products have the same basic physical chemical and technical characteristics as well as the same basic uses:
- the product concerned when exported to the Union;
 - the product under investigation produced and sold on the domestic market of the PRC; and
 - the product under investigation produced and sold in the Union by the Union industry.
- (28) The Commission decided at this stage that those products are therefore like products within the meaning of Article 1(4) of the basic Regulation.

2.4. Claims regarding product scope

- (29) The Commission received a claim on product scope from Qingdao Kingking and CHCIA. Their claim on the product scope has been addressed under section 1.4 above.

3. DUMPING

3.1. Procedure for the determination of the normal value under Article 2(6a) of the basic Regulation

- (30) In view of the sufficient evidence available at the initiation of the investigation pointing to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation with regard to the PRC, the Commission considered it appropriate to initiate the investigation with regard to the exporting producers from this country having regard to Article 2(6a) of the basic Regulation.
- (31) Consequently, to collect the necessary data for the eventual application of Article 2(6a) of the basic Regulation, in the Notice of Initiation the Commission invited all exporting producers in the PRC to provide information regarding the inputs used for producing candles, tapers and the like. Ten exporting producers submitted the relevant information.
- (32) To obtain information it deemed necessary for its investigation with regard to the alleged significant distortions, the Commission sent a questionnaire to the GOC. In addition, in point 5.3.2 of the Notice of Initiation, the Commission invited all interested parties to make their views known, submit information and provide supporting evidence regarding the application of Article 2(6a) of the basic Regulation within 37 days of the date of publication of the Notice of Initiation in the *Official Journal of the European Union*.
- (33) In respect of the use of the application of Article 2(6a) of the basic Regulation, all exporting producers questioned the use thereof. The objections have been addressed in the following sections.
- (34) No questionnaire reply was received from the GOC. Subsequently, the Commission informed the GOC that it would use facts available within the meaning of Article 18 of the basic Regulation for the determination of the existence of the significant distortions in the PRC.
- (35) In point 5.3.2 of the Notice of Initiation, the Commission also specified that, in view of the evidence available pursuant to Article 2(6a)(a) of the basic Regulation, for the purpose of determining the normal value based on undistorted prices or benchmarks, one possible appropriate representative third country is Thailand. The Commission further stated that it would examine other possibly appropriate representative countries in accordance with the criteria set out in 2(6a)(a) first indent of the basic Regulation.

- (36) The Commission issued two notes for the file to inform interested parties on the relevant sources it intended to use for the determination of the normal value: the first note on the production factors of 25 April 2025 (hereinafter the 'First Note') and the second note on the production factors of 20 May 2025 (hereinafter the 'Second Note'), which was followed by supplementary note of 22 May 2025, correcting a clerical mistake in an exchange rate and providing detailed import data including the applicable duties and labour data.
- (37) In these notes, the Commission provided a list of all factors of production such as raw materials, labour and energy used in the production of the product concerned. In addition, based on the criteria guiding the choice of undistorted prices or benchmarks, the Commission identified possible representative countries. It also informed interested parties that it would establish selling, general and administrative costs ('SG&A') and profits based on Nopparat Candlelight Company Limited and T.T.T. Candle Co Ltd., two producers of the product concerned in the representative country. These notes also addressed the comments received by the interested parties on these elements and on the relevant sources. The comments provided by the parties are addressed in the following sections.

3.2. Normal value

- (38) According to Article 2(1) of the basic Regulation, 'the normal value shall normally be based on the prices paid or payable, in the ordinary course of trade, by independent customers in the exporting country'.
- (39) However, according to Article 2(6a)(a) of the basic Regulation, 'in case it is determined ... that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions within the meaning of point (b), the normal value shall be constructed exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks', and 'shall include an undistorted and reasonable amount of administrative, selling and general costs and for profits' ('administrative, selling and general costs' is referred hereinafter as 'SG&A').
- (40) As further explained below, the Commission concluded in the present investigation that, based on the evidence available, and in view of the lack of cooperation of the GOC, the application of Article 2(6a) of the basic Regulation was appropriate.

3.2.1. Existence of significant distortions

- (41) Article 2(6a)(b) of the basic Regulation states that 'significant distortions are those distortions which occur when reported prices or costs, including the costs of raw materials and energy, are not the result of free market forces as they are affected by substantial government intervention. In assessing the existence of significant distortions regard shall be had, inter alia, to the potential impact of one or more of the following elements:
- the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country;
 - state presence in firms allowing the state to interfere with respect to prices or costs;
 - public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces;
 - the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws;
 - wage costs being distorted;
 - access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state.'
- (42) As the list in Article 2(6a)(b) of the basic Regulation is non-cumulative, not all the elements need to be given for a finding of significant distortions. Moreover, the same factual circumstances may be used to demonstrate the existence of one or more of the elements of the list.

- (43) However, any conclusion on significant distortions within the meaning of Article 2(6a)(a) of the basic Regulation must be made on the basis of all the evidence at hand. The overall assessment on the existence of distortions may also take into account the general context and situation in the exporting country, in particular where the fundamental elements of the exporting country's economic and administrative set-up provide the government with substantial powers to intervene in the economy in such a way that prices and costs are not the result of the free development of market forces.
- (44) Article 2(6a)(c) of the basic Regulation provides that '[w]here the Commission has well-founded indications of the possible existence of significant distortions as referred to in point (b) in a certain country or a certain sector in that country, and where appropriate for the effective application of this Regulation, the Commission shall produce, make public and regularly update a report describing the market circumstances referred to in point (b) in that country or sector'.
- (45) Pursuant to this provision, the Commission issued a country report concerning China ('the Report' ⁽¹⁰⁾) containing evidence of the existence of substantial government intervention at many levels of the economy, including specific distortions in many key factors of production (such as land, energy, capital, raw materials and labour) as well as in specific sectors (such as steel and chemicals). Interested parties were invited to rebut, comment or supplement the evidence contained in the investigation file at the time of initiation. The Report was placed in the investigation file at the initiation stage.
- (46) The complaint referred to the Report and also contained additional relevant evidence complementing the Report.
- (47) More specifically, the complaint indicated that domestic prices and costs of candles, tapers and the like in China cannot be accepted since they are at odds with the notion of free play of market forces but rather result from the complex and all-encompassing state intervention.
- (48) In support of this claim, the complaint emphasised the role of the Chinese Communist Party ('CCP') in shaping the Chinese economy in line with the socialist market economy doctrine. With regard to this, the complainant pointed out that the Chinese Constitution, as well as various other legal acts, grant the state and the CCP a decisive role in the economy. The complainant noted further that in response to the global trade tensions, the concept of 'dual circulation' has been focal in the CCP's industrial policy agenda. This focuses mainly on domestic circulation, reducing the reliance on imports, and the reinforcement of the international economic cycle with increased penetration of Chinese industrial operators into the global market.
- (49) As a supporting argument, the complainant also noted that through its interventionist policies, the CCP maintains tight control not only of state-owned enterprises ('SOEs'), but also privately owned companies. Additionally, it mentioned that the CCP occupies a formal role within industry associations, which are another vehicle of the state to control the Chinese industry. With regard to this, the complainant mentioned that according to the Chinese company law, companies are required to establish a CCP organisation to carry out the activities of the government.
- (50) The CCP in turn has put in place interventionist policies on the national, provincial and municipal level, in specific sectors. Among such interventionist policies, the five years plans ⁽¹¹⁾ ('FYPs') are designed to achieve the objectives of the Central Committee of the CCP. Accordingly, the CCP promotes certain categories of economic activities and prohibits others. The promoted categories have access to the necessary means to implement the plans, whereas the discouraged sectors experience restricted availability of resources.

⁽¹⁰⁾ Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the purposes of Trade Defence Investigations, 10 April 2024, SWD(2024) 91 final, available at: [https://ec.europa.eu/transparency/documents-register/detail?ref=SWD\(2024\)91&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2024)91&lang=en).

⁽¹¹⁾ Such as the 14th FYP for National Economic and Social Development and Long-Range Objectives for 2035 ('14th FYP'), available at: [t0284_14th_Five_Year_Plan_EN](#) (accessed on 3 June 2025).

- (51) Among the encouraged sectors, the complainant referred to the chemical and petrochemical sector, paraffin and other types of waxes being the main raw materials for manufacturing of the product concerned. In particular, in both the petrochemical and chemical sectors, the Chinese policy aims at maintaining 'absolute control' and 'relatively strong control' ⁽¹²⁾. According to the complainant, this is in also line with the 14th FYP and specific capacity targets, product selections, and R&D expenditure measures have been set for the sector.
- (52) Another sector identified by the complainant as affected by significant distortions is the aluminium sector (white unscented tea lights are often placed in aluminium cups). The complainant submitted that the aluminium sector is to a great extent directed and controlled by the GOC, and that the sector benefitted from several intervention measures, among which, preferential electricity and energy prices, export related measures to prevent the export of bauxite, and non-automatic export licensing requirements on bauxite. These measures have resulted in distortions which affect the whole value chain.
- (53) The complainant noted further that the Commission had established previously that the aluminium sector had not only benefitted from a range of governmental subsidies but also benefitted from the resale of primary aluminium via a state agency, namely the National Food and Strategic Reserves Administration.
- (54) In addition, the complaint noted the importance of glass as input for the production of candles and argued that the glass sector currently suffers from overcapacities, as well as that it belongs to the encouraged sectors and as such also benefits from electricity price differentiation policy ⁽¹³⁾.
- (55) In addition, the complaint also noted significant distortions affecting the cotton sector, another raw material used in manufacturing candles. The GOC only allows certain State Trading Enterprises to trade cotton, which allows the government to influence the domestic and export price. The complaint claimed that the aim is to maintain a stable price of cotton, considered a strategic agricultural commodity ⁽¹⁴⁾.
- (56) Moreover, the complainant noted distortions in the energy sector and mentioned that the candle manufacturing supply chain receives preferential electricity prices, given that in particular the aluminium and the textile industry are eligible for provision of cheaper electricity, but also considering the promotions of coal production in the past, which ultimately resulted in oversupply of electricity generated from this source.
- (57) The complaint also submitted that the Chinese State plays a relevant role in allocating capital, in which it lends in a biased way to SOEs and private businesses with close government ties. This is exacerbated by the fact that a high portion of loans is made available at preferential terms. Due to such artificially low costs, China has experienced a credit boom characterised by an excessive use of capital.
- (58) Finally, the complainant mentioned the significant distortions in the labour sector noting that workers and employers lack the freedom of association and collective bargaining since China has not ratified the relevant ILO fundamental conventions or otherwise implemented these rights. Moreover, the Chinese labour market is, according to the complainant, distorted by the household registration system which puts a portion of the labour force at a disadvantage situation and creates uncertainty regarding the labour costs.
- (59) On this basis, the complainant concluded significant distortions pursuant to Article 2(6a) of the basic Regulation exist in the manufacturing of the product concerned.

⁽¹²⁾ Xinhua News Agency, 'SASAC: The State-owned economy should maintain absolute control over seven industries', available at: https://www.gov.cn/ztzl/2006-12/18/content_472256.htm (accessed on 6 June 2025).

⁽¹³⁾ Usha C. V. Haley and George T. Haley, 'Through the Looking Glass: Subsidies to China's Glass Industry' in *Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy*, (OUP, 23 May 2013), available at: <https://academic.oup.com/book/11363/chapter/160011767> (accessed on 3 June 2025).

⁽¹⁴⁾ List of China's WTO notifications, available at: <https://notifications.wto.org/en/status-by-member/china> (accessed on 3 June 2025).

- (60) The Commission examined whether it was appropriate or not to use domestic prices and costs in China, due to the existence of significant distortions within the meaning of point (b) of Article 2(6a) of the basic Regulation. The Commission did so on the basis of the evidence available on the file, including the evidence contained in the Report, which relies on publicly available sources.
- (61) That analysis covered the examination of the substantial government interventions in China's economy in general, but also the specific market situation in the relevant sector including the product concerned. The Commission further supplemented these evidentiary elements with its own research on the various criteria relevant to confirm the existence of significant distortions in China.

3.2.2. *Significant distortions affecting the domestic prices and costs in China*

- (62) The Chinese economic system is based on the concept of a 'socialist market economy'. That concept is enshrined in the Chinese Constitution and determines the economic governance of China. The core principle is the 'socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people'.
- (63) The state-owned economy is the 'leading force of the national economy' and the state has the mandate 'to ensure its consolidation and growth' ⁽¹⁵⁾. Consequently, the overall setup of the Chinese economy not only allows for substantial government interventions into the economy, but such interventions are expressly mandated. The notion of supremacy of public ownership over the private one permeates the entire legal system and is emphasized as a general principle in all central pieces of legislation.
- (64) The Chinese property law is a prime example: it refers to the primary stage of socialism and entrusts the state with upholding the basic economic system under which the public ownership plays a dominant role. Other forms of ownership are tolerated, with the law permitting them to develop side by side with the state ownership ⁽¹⁶⁾.
- (65) In addition, under Chinese law, the socialist market economy is developed under the leadership of the CCP. The structures of the Chinese state and of the CCP are intertwined at every level (legal, institutional, personal), forming a superstructure in which the roles of CCP and the state are indistinguishable.
- (66) Following an amendment of the Chinese Constitution in March 2018, the leading role of the CCP was given an even greater prominence by being reaffirmed in the text of Article 1 of the Constitution.
- (67) Following the already existing first sentence of the provision: '[t]he socialist system is the basic system of the People's Republic of China' a new second sentence was inserted which reads: '[t]he defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China.' ⁽¹⁷⁾ This illustrates the unquestioned and ever-growing control of the CCP over the economic system of China.
- (68) This leadership and control is inherent to the Chinese system and goes well beyond the situation customary in other countries where the governments exercise general macroeconomic control within the boundaries of which free market forces are at play.
- (69) The Chinese state engages in an interventionist economic policy in pursuance of goals, which coincide with the political agenda set by the CCP rather than reflecting the prevailing economic conditions in a free market ⁽¹⁸⁾. The interventionist economic tools deployed by the Chinese authorities are manifold, including the system of industrial planning, the financial system, as well as the level of the regulatory environment.

⁽¹⁵⁾ Report – Chapter 2, p. 8.

⁽¹⁶⁾ Report – Chapter 2, p. 7.

⁽¹⁷⁾ See at: http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/node_2825.htm (accessed on 3 June 2025).

⁽¹⁸⁾ Report – Chapter 2, p. 20-21.

- (70) First, on the level of overall administrative control, the direction of the Chinese economy is governed by a complex system of industrial planning which affects all economic activities within the country. The totality of these plans covers a comprehensive and complex matrix of sectors and crosscutting policies and is present on all levels of government.
- (71) Plans at provincial level are detailed while national plans set broader targets. Plans also specify the means in order to support the relevant industries/sectors as well as the timeframes in which the objectives need to be achieved. Some plans still contain explicit output targets.
- (72) Under the plans, individual industrial sectors and/or projects are being singled out as (positive or negative) priorities in line with the government priorities and specific development goals are attributed to them (industrial upgrade, international expansion etc.).
- (73) The economic operators, private and state-owned alike, must effectively adjust their business activities according to the realities imposed by the planning system. This is not only because of the binding nature of the plans but also because the relevant Chinese authorities at all levels of government adhere to the system of plans and use their vested powers accordingly, thereby inducing the economic operators to comply with the priorities set out in the plans ⁽¹⁹⁾.
- (74) Second, on the level of allocation of financial resources, the financial system of China is dominated by the state-owned commercial and policy banks. Those banks, when setting up and implementing their lending policy need to align themselves with the government's industrial policy objectives rather than primarily assessing the economic merits of a given project ⁽²⁰⁾.
- (75) The same applies to the other components of the Chinese financial system, such as the stock markets, bond markets, private equity markets etc. Also, these parts of the financial sector are institutionally and operationally set up in a manner not geared towards maximizing the efficient functioning of the financial markets but towards ensuring control and allowing intervention by the state and the CCP ⁽²¹⁾.
- (76) Third, on the level of regulatory environment, the interventions by the state into the economy take a number of forms. For instance, the public procurement rules are regularly used in pursuit of policy goals other than economic efficiency, thereby undermining market-based principles in the area. The applicable legislation specifically provides that public procurement shall be conducted in order to facilitate the achievement of goals designed by state policies. However, the nature of these goals remains undefined, thereby leaving broad margin of appreciation to the decision-making bodies ⁽²²⁾.
- (77) Similarly, in the area of investment, the GOC maintains significant control and influence over destination and magnitude of both state and private investment. Investment screening as well as various incentives, restrictions, and prohibitions related to investment are used by authorities as an important tool for supporting industrial policy goals, such as maintaining state control over key sectors or bolstering domestic industry ⁽²³⁾.
- (78) In sum, the Chinese economic model is based on certain basic axioms, which provide for and encourage manifold government interventions. Such substantial government interventions are at odds with the free play of market forces, resulting in distorting the effective allocation of resources in line with market principles ⁽²⁴⁾.

⁽¹⁹⁾ Report – Chapter 2, p. 20.

⁽²⁰⁾ Report – Chapter 4, p. 75.

⁽²¹⁾ Report – Chapter 4, p. 99.

⁽²²⁾ Report – Chapter 18, p. 538.

⁽²³⁾ Report – Chapter 8, p. 242.

⁽²⁴⁾ Report – Chapter 12, p. 328.

3.2.2.1. Significant distortions according to Article 2(6a)(b), first indent of the basic Regulation: the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country

- (79) In China, enterprises operating under the ownership, control and/or policy supervision or guidance by the state represent an essential part of the economy. The sector of the product concerned is mainly served by private companies like Ningbo Kwung's Wisdom Art & Design Co. ⁽²⁵⁾, Ningbo Kwung's Home Interior & Gift Co. ⁽²⁶⁾, or Qingdao Kingking ⁽²⁷⁾. The Commission nevertheless also found that major producers ⁽²⁸⁾ of paraffin, a key input to produce candles, are state-owned, like for instance Petrochina ⁽²⁹⁾, Sinopec Group ⁽³⁰⁾ or Sinochem Group ⁽³¹⁾, all controlled by the State-owned Asset Supervision and Administration Commission ⁽³²⁾ ('SASAC').
- (80) Moreover, China's largest aluminium producer, China Aluminum Corporation ('Chinalco'), is an SOE, with more than 35 % of public ownership ⁽³³⁾.
- (81) Given that CCP interventions into operational decision making have become the norm also in private companies ⁽³⁴⁾, with CCP claiming leadership over virtually every aspect of the country's economy, the influence of the state by means of CCP structures within companies effectively results in economic operators being under control and policy supervision of the government, because of how far the state and Party structures have grown together in China.
- (82) Furthermore, the Law on Promoting the Private Sector mandates that '[p]rivate economic organizations and their operators shall support the leadership of the Communist Party of China, adhere to the socialist system with Chinese characteristics, and actively participate in the construction of a socialist modern power.' ⁽³⁵⁾
- (83) Similar level of control and policy supervision can be observed at the level of the relevant industry associations, such as the China Petrochemical and Chemical Industry Federation ('CPCIF') covering the petrochemical and chemical sector.
- (84) The CPCIF adheres to the overall leadership of the CCP, carries out Party activities, and provides necessary conditions for the activities of Party organization ⁽³⁶⁾. Moreover, the 'registration and management authority of the Association is the Ministry of Civil Affairs' ⁽³⁷⁾ and the conditions to be eligible as a representative of the CPCIF include to 'adhere to the leadership of the CCP, support socialism with Chinese characteristics, resolutely implement the Party's line, principles, and policies, and possess good political qualities' ⁽³⁸⁾.
- (85) Sinochem Group and Sinopec Group are members of CPCIF ⁽³⁹⁾.

⁽²⁵⁾ See at: <http://www.kwungs.com/> (accessed on 26 May 2025).

⁽²⁶⁾ See at: <http://www.kwungshome.com/> (accessed on 26 May 2025).

⁽²⁷⁾ See at: <https://www.chinakingking.com/> (accessed on 26 May 2025).

⁽²⁸⁾ See at: <https://m.chinabgao.com/top/brand/88643.html#:~:text=%E8%BF%99%E4%BA%9B%E5%93%81%E7%89%8C%E5%9C%A8%E7%9F%B3%E8%9C%A1%E7%9A%84,%E6%B4%8B%E5%8F%91%E5%B1%95%E3%80%81%E7%9B%9B%E4%BA%9A%5A%5E%80%82> (accessed on 27 May 2025).

⁽²⁹⁾ See at: <https://www.cnpc.com.cn/en/index.shtml> (accessed on 27 May 2025).

⁽³⁰⁾ See at: <http://www.sinopec.com/listco/en/> (accessed on 27 May 2025).

⁽³¹⁾ See at: <http://www.syhg.chemchina.com/> (accessed on 27 May 2025).

⁽³²⁾ See at: <http://www.sasac.gov.cn/n2588045/n27271785/n27271792/c14159097/content.html> (accessed on 27 May 2025).

⁽³³⁾ See at: <https://www.chinalco.com.cn/xwzx/> (accessed on 4 June 2025).

⁽³⁴⁾ Art. 33 of the CCP Constitution, Article 19 of the Chinese Company Law or General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era (see below for full reference).

⁽³⁵⁾ See Art. 5 of the Law on Promoting the Private Sector, available at: https://www.gov.cn/yaowen/liebiao/202504/content_7022018.htm (accessed on 27 May 2025).

⁽³⁶⁾ See Art. 3 of the CPCIF Articles of Association, available at: <http://www.cpcif.org.cn/detail/40288043661e27fb01661e386a3f0001?e=1> (accessed on 27 May 2025).

⁽³⁷⁾ Ibid.

⁽³⁸⁾ See Art. 36 of the CPCIF Articles of Association, available at: <http://www.cpcif.org.cn/detail/40288043661e27fb01661e386a3f0001?e=1> (accessed on 27 May 2025).

⁽³⁹⁾ See at: <http://www.cpcif.org.cn/list/40288043661dc14701661ddb0980010> (accessed on 12 May 2025).

- (86) More specifically, the industry association covering the candle industry is the China Household Chemicals Industry Association ⁽⁴⁰⁾ ('CHCIA') which has also set up a candle branch ⁽⁴¹⁾.
- (87) Article 2 of CHCIA's Articles of Association states that 'the purpose of th[e] association is to be a good assistant to governmental departments'. Moreover, CHCIA 'adheres to the overall leadership of the CCP [...and] [t]he registration and management authority of this association is the Ministry of Civil Affairs, and the Party building leading authority is the Party Committee of the [SASAC] of the State Council. The Association accepts business guidance and supervision from the registration and management authorities, the Party building leading authorities, and the relevant industry management departments' ⁽⁴²⁾.
- (88) Additionally, the conditions to be eligible as a representative of the CHCIA include to 'adhere to the leadership of the CCP, support socialism with Chinese characteristics, resolutely implement the Party's line, principles, and policies, and possess good political qualities ⁽⁴³⁾'.
- (89) Qingdao Kingking occupies a vice-chairmanship in the board of directors of CHCIA ⁽⁴⁴⁾.
- (90) Moreover, the China Non-Ferrous Metals Fabrication Industry Association ('CNFA') ⁽⁴⁵⁾, covering the aluminium input, notably states in Article 3 of its Articles of association that the organisation '[a]dheres to the overall leadership of the Communist Party of China, establishes an organization of the Communist Party of China, carries out Party activities, and provides the necessary conditions for the activities of the Party organization' and 'accepts the professional guidance, supervision and management by the entities in charge of registration and management, by entities in charge of Party building, as well as by the relevant administrative departments in charge of industry management ⁽⁴⁶⁾'. According to Article 6, the scope of the Association's business is, inter alia, the following: '[i]n accordance with the general policy and general task of establishing a socialist market economic system put forward by the Party and the state, and in view of the actual situation of the industry, actively put forward suggestions and opinions on industry development, industry policies, laws and regulation' ⁽⁴⁷⁾.
- (91) The China National Association for Glass Industry ⁽⁴⁸⁾ ('CNAGI') is also relevant to the extent that it covers the sector of glass for household use, including glass containers used to produce candles. Article 2 of its Articles of Association states that '[t]he association abides by the Constitution, laws, regulations and national policies, practices the core socialist values, promotes the spirit of patriotism ⁽⁴⁹⁾'. Moreover, according to Article 3, the association 'adheres to the overall leadership of the Communist Party of China, establishes the organization of the Communist Party of China [and] accepts the business guidance and supervision of the Ministry of Civil Affairs and industry management departments ⁽⁵⁰⁾'.
- (92) Consequently, even privately owned producers in the sector of the product concerned are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the sector are subject to policy supervision and guidance.

⁽⁴⁰⁾ See at: <https://www.chcia.org.cn/sy> (accessed on 27 May 2025).

⁽⁴¹⁾ See Art.2 of the CHCIA Articles of Association, available at: <https://www.chcia.org.cn/fh> (accessed on 27 May 2025).

⁽⁴²⁾ See Art. 3 of the CHCIA Articles of Association, available at: <https://www.chcia.org.cn/xhzc> (accessed on 27 May 2025).

⁽⁴³⁾ See Art.36 of the CHCIA Articles of Association, available at: <https://www.chcia.org.cn/xhzc> (accessed on 27 May 2025).

⁽⁴⁴⁾ See at: <https://www.chcia.org.cn/lsh> (accessed on 27 May 2025).

⁽⁴⁵⁾ See at: <https://www.cnfa.net.cn/index.aspx> (accessed on 4 June 2025).

⁽⁴⁶⁾ See at: <https://www.cnfa.net.cn/about/1546.aspx> (accessed on 4 June 2025).

⁽⁴⁷⁾ Ibid.

⁽⁴⁸⁾ See at: <http://www.cnagi.org.cn/djgz> (accessed on 4 June 2025).

⁽⁴⁹⁾ See at: <http://www.cnagi.org.cn/newsinfo/8098191.html> (accessed on 4 June 2025).

⁽⁵⁰⁾ Ibid.

3.2.2.2. Significant distortions according to Article 2(6a)(b), second indent of the basic Regulation: State presence in firms allowing the state to interfere with respect to prices or costs

- (93) Apart from exercising control over the economy by means of ownership of SOEs and other tools, the GOC is in position to interfere with prices and costs through state presence in firms. While the right to appoint and to remove key management personnel in SOEs by the relevant state authorities, as provided for in the Chinese legislation, can be considered to reflect the corresponding ownership rights ⁽⁵¹⁾, CCP cells in enterprises, state-owned and private alike, represent another important channel through which the state can interfere with business decisions.
- (94) According to China's company law, a CCP organisation is to be established in every company (with at least three CCP members as specified in the CCP Constitution ⁽⁵²⁾) and the company shall provide the necessary conditions for the activities of the party organisation. In the past, this requirement appears not to have always been followed or strictly enforced.
- (95) However, since at least 2016 the CCP has been reinforcing its claims to control business decisions in companies as a matter of political principle ⁽⁵³⁾, including exercising pressure on private companies to put "patriotism" first and to follow party discipline ⁽⁵⁴⁾.
- (96) In 2017, it was reported that party cells existed in 70 % of some 1,86 million privately owned companies, with growing pressure for the CCP organisations to have a final say over the business decisions within their respective companies ⁽⁵⁵⁾. These rules are of general application throughout the Chinese economy, across all sectors, including to the producers of the product concerned and the suppliers of their inputs.
- (97) In addition, on 15 September 2020 a document titled *General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era* (the Guidelines) ⁽⁵⁶⁾ was released, which further expanded the role of the party committees in private enterprises.
- (98) Section II.4 of the Guidelines states: '[w]e must raise the Party's overall capacity to lead private-sector United Front work and effectively step up the work in this area'; and section III.6 states: '[w]e must further step up Party building in private enterprises and enable the Party cells to play their role effectively as a fortress and enable Party members to play their parts as vanguards and pioneers.' The Guidelines thus emphasise and seeks to increase the role of the CCP in companies and other private sector entities ⁽⁵⁷⁾.
- (99) The investigation confirmed that overlaps between managerial positions and CCP membership / Party functions exist also in the candle sector. To provide an example, the general manager of Ningbo Kwung's Home Interior & Gift Co. is a member of the CCP ⁽⁵⁸⁾.
- (100) Furthermore, Qingdao Kingking 'gives full play to the Party organisation as regards its core political role among the staff and as regards its political leadership over the development of the company' ⁽⁵⁹⁾.

⁽⁵¹⁾ Report – Chapter 5, p. 100-104.

⁽⁵²⁾ Report – Chapter 5, p. 126.

⁽⁵³⁾ See for example: Blanchette, J. – Xi's Gamble: *The Race to Consolidate Power and Stave off Disaster*; Foreign Affairs, vol. 100, no. 4, July/August 2021, pp. 10-19.

⁽⁵⁴⁾ Report – Chapter 2, p. 19-26.

⁽⁵⁵⁾ See at: <https://www.reuters.com/article/us-china-congress-companies-idUSKCN1B40JU> (accessed on 27 May 2025).

⁽⁵⁶⁾ General Office of CCP Central Committee's Guidelines on stepping up the United Front work in the private sector for the new era, available at: www.gov.cn/zhengce/2020-09/15/content_5543685.htm (accessed on 27 May 2025).

⁽⁵⁷⁾ Financial Times (2020) - Chinese Communist Party asserts greater control over private enterprise: <https://on.ft.com/3mYxP4j> (accessed on 27 May 2025).

⁽⁵⁸⁾ See at: <https://baike.baidu.com/item/%E6%B1%9F%E6%98%8E%E5%AD%98/62615366#reference-1> (accessed on 27 May 2025).

⁽⁵⁹⁾ See at: https://www.chinakingking.com/party_building/detail/1.html (accessed on 27 May 2025).

(101) In addition, Sinopec's website describes the role of the Party Committee within the Group as follows: '[s]trengthen the leadership of the Party in the process of improving corporate governance, [...] optimize the list of major matters discussed and decided by the company's Party committee [...] and embed them into the headquarters' decision-making and information system'. Moreover, the company intends to 'comprehensively promote the effective connection and consolidation of the list of major issues discussed and decided by the Party Committee of directly affiliated enterprises with the list of "three major and one important" decision-making issues, establish a top-down working mechanism for multi-department coordination and cooperation, and continuously promote the joint review and synchronous improvement of important decision-making systems to ensure the standardized and effective operation of the Party Committee's powers in corporate governance' ⁽⁶⁰⁾.

(102) Furthermore, aluminium producers are also subject to Party interference, as Chinalco's chairman and Chinalco's director and general manager, are respectively the Party secretary and the Party deputy-secretary of Chinalco's party organization. Also, in 2024, all units of Chinalco Group launched the Party Discipline Study and Education: '[t]he deployment meeting of the Party Discipline Study and Education of Chinalco Group emphasized that party organizations at all levels should strengthen the combination of learning and application, combine the Party Discipline Study and Education with the implementation of the annual implementation system of the strategic planning of Chinalco Group's [...] annual key projects, [...] and provide strong political guarantees for striving to write a new chapter of Chinalco's modernization' ⁽⁶¹⁾.

(103) The state's presence and intervention in the financial markets as well as in the provision of raw materials and inputs further have an additional distorting effect on the market ⁽⁶²⁾. Thus, the state presence in firms, in the candle and other sectors (such as the financial and input sectors) allow the GOC to interfere with respect to prices and costs.

3.2.2.3. Significant distortions according to Article 2(6a)(b), third indent of the basic Regulation: public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces.

(104) The direction of the Chinese economy is to a significant degree determined by an elaborate system of planning which sets out priorities and prescribes the goals the central, provincial and local governments must focus on. Relevant plans exist at all levels of government and cover virtually all economic sectors. The objectives set by the planning instruments are of a binding nature and the authorities at each administrative level monitor the implementation of the plans by the corresponding lower level of government.

(105) Overall, the system of planning in China results in resources being driven to sectors designated as strategic or otherwise politically important by the government, rather than being allocated in line with market forces ⁽⁶³⁾.

(106) Generally, the GOC intends to 'support private economic organizations to participate in major national strategies and major projects. Support private economic organizations to invest and start businesses in strategic emerging industries, future industries and other fields, encourage the technological transformation and transformation and upgrading of traditional industries' ⁽⁶⁴⁾.

Furthermore, the Chinese authorities have enacted a number of policies guiding the functioning of the sector of the product concerned.

⁽⁶⁰⁾ See at: <http://www.sinopecgroup.com/group/000/000/041/41878.shtml> (accessed on 27 May 2025).

⁽⁶¹⁾ See at: https://www.chinalco.com.cn/dqjs/dqjs_djdt/202404/t20240422_126423.html (accessed on 5 June 2025).

⁽⁶²⁾ Report – Chapters 6, pp. 134-138.

⁽⁶³⁾ Report – Chapter 8, p. 243.

⁽⁶⁴⁾ See Art.16 of the Law on Promoting the Private Sector.

- (107) To start with, the 14th FYP on Raw Materials ⁽⁶⁵⁾ directly addresses the sector of the product concerned by stating that the GOC will '[o]ptimize the layout of new production capacity, [...] promote the adjustment and optimization of the spatial layout of the raw material industry [and] [i]mplement the petrochemical industry planning and layout plan'. More specifically, the GOC intends to 'build a number of petrochemical [...] industry clusters' and to '[m]ake leading enterprises bigger and stronger, [...] coordinate and solve major issues of cross-regional mergers and reorganizations of enterprises, support enterprises to accelerate cross-regional and cross-ownership mergers and reorganizations, improve industrial concentration, and carry out international operations. In the petrochemical, steel, non-ferrous metals, building materials and other industries, [the GOC also intends to] cultivate a group of industry chain leading enterprises with ecological dominance and core competitiveness' ⁽⁶⁶⁾.
- (108) Additionally, the 2022 MIIT Guiding Opinion on Promoting the High-quality Development of the Chemical and Petrochemical Industry in the 14th Five-Year Plan ⁽⁶⁷⁾ mandates to '[a]ccelerate transformation and upgrading in order to improve the competitiveness of the industry.'
- (109) Furthermore, the 2023 MIIT Work plan for the steady growth of the chemical and petrochemical industry ⁽⁶⁸⁾ provides that one of its main objectives is to '[s]upport the national demonstration bases for the new industrialisation model in the petrochemical and chemical industry to improve the quality of development and promote national advanced manufacturing clusters in the petrochemical and chemical industry, like the Ningbo Green Petrochemical Cluster to move towards world-class clusters'.
- (110) Ningbo Kwung's Wisdom Art & Design Co. and Ningbo Kwung's Home Interior & Gift Co. are located in Ningbo.
- (111) Also, at local level, the 2024 Liaoning Province Work Plan on Improving the Connection between Industrial Robots and Other Key Industrial Supply Chain ⁽⁶⁹⁾ explicitly covers the paraffin sector and seeks to '[s]olve a number of quality bottlenecks restricting industrial development, cultivate a number of quality leading enterprises and standard innovative enterprises, and significantly improve the quality management level, brand value, market share and core competitiveness of key industries'.
- (112) Moreover, the 'Fushun Municipal Party Committee and Municipal Government attach great importance to the development of the paraffin industry, and will give full play to the resource advantages, technical advantages, and cluster advantages of the paraffin industry, enhance the resilience of the paraffin industry chain, and accelerate the formation of a new development pattern of the paraffin industry chain. [...] Petrochina supports Fushun Petrochemical to become bigger and stronger, increase paraffin production, and build Fushun into the world's largest paraffin production base. [...] As regards the improvement of the connection of the paraffin industry and the whole supply chain, the Fushun Municipal Government, as the leading entity of the industry chain, will give full play to the government's macro-control role [...] to achieve high-quality development of the paraffin industry, drive local economic growth, and build the pillars of the industrial system' ⁽⁷⁰⁾.
- (113) The investigation established further that the GOC also has measures to develop the candle market, like in Hebei where the 'Dongwang Municipality has vigorously developed the candle industry. [...] At present, the candles and supporting products produced account for 70 % of the national market share, with more than 40 large-scale production enterprises, an annual output value of RMB 1,2 billion yuan, and annual exports of RMB 100 million yuan' ⁽⁷¹⁾. To meet these targets, the Dongwang Municipality sought to '[g]rasp the development and upgrading of the industry, [p]romote industrial integration, establish a candle industry association, integrate industrial advantages, [and] promote the scientific and orderly development of the candle industry' ⁽⁷²⁾.

⁽⁶⁵⁾ 14th FYP on raw materials, available at: https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2021/art_2960538d19e34c66a5eb8d01b74cbb20.html (accessed on 28 May 2025).

⁽⁶⁶⁾ Ibid.

⁽⁶⁷⁾ See at: https://www.gov.cn/zhengce/zhengceku/2022-04/08/content_5683972.htm (accessed on 28 May 2025).

⁽⁶⁸⁾ https://www.gov.cn/zhengce/zhengceku/202308/content_6900274.htm (accessed on 28 May 2025).

⁽⁶⁹⁾ See at: <https://www.ln.gov.cn/web/qmzx/lmsqmzxxtpsnxd/lnzxd/bm/2024061709101833774/index.shtml> (accessed on 28 May 2025).

⁽⁷⁰⁾ Ibid.

⁽⁷¹⁾ See at: https://www.sohu.com/a/494828794_433256 (accessed on 28 May 2025).

⁽⁷²⁾ See at: <https://www.ningjin.gov.cn/xxgk/content/26103.html> (accessed on 28 May 2025).

(114) Through these and other means, the GOC therefore directs and controls virtually every aspect in the development and functioning of the sector, as well as the upstream inputs.

(115) In sum, the GOC has measures in place to induce operators to comply with the public policy objectives concerning the sector. Such measures impede market forces from operating freely.

3.2.2.4. Significant distortions according to Article 2(6a)(b), fourth indent of the basic Regulation: the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws

(116) According to the information on file, the Chinese bankruptcy system delivers inadequately on its own main objectives such as to fairly settle claims and debts and to safeguard the lawful rights and interests of creditors and debtors. This appears to be rooted in the fact that while the Chinese bankruptcy law formally rests on principles that are similar to those applied in corresponding laws in countries other than China, the Chinese system is characterised by systematic under-enforcement.

(117) The number of bankruptcies remains notoriously low in relation to the size of the country's economy, not least because the insolvency proceedings suffer from a number of shortcomings, which effectively function as a disincentive for bankruptcy filings. Moreover, the role of the state in the insolvency proceedings remains strong and active, often having direct influence on the outcome of the proceedings ⁽⁷³⁾.

(118) In addition, the shortcomings of the system of property rights are particularly obvious in relation to ownership of land and land-use rights in China ⁽⁷⁴⁾. All land is owned by the state (collectively owned rural land and State-owned urban land) and its allocation remains solely dependent on the state. There are legal provisions that aim at allocating land use rights in a transparent manner and at market prices, for instance by introducing bidding procedures. However, these provisions are regularly not respected, with certain buyers obtaining their land for free or below market rates ⁽⁷⁵⁾. Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land ⁽⁷⁶⁾.

(119) Much like other sectors in the Chinese economy, the producers of the product concerned are subject to the ordinary rules on Chinese bankruptcy, corporate, and property laws. That has the effect that these companies, too, are subject to the top-down distortions arising from the discriminatory application or inadequate enforcement of bankruptcy and property laws. Those considerations, on the basis of the evidence available, appear to be fully applicable also in the candle sector. The present investigation revealed nothing that would call those findings into question.

(120) In light of the above, the Commission concluded that there was discriminatory application or inadequate enforcement of bankruptcy and property laws in the sector of the product concerned.

3.2.2.5. Significant distortions according to Article 2(6a)(b), fifth indent of the basic Regulation: wage costs being distorted

(121) A system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. China has not ratified a number of essential conventions of the International Labour Organisation, in particular those on freedom of association and on collective bargaining ⁽⁷⁷⁾.

⁽⁷³⁾ Report – Chapter 14, p. 315.

⁽⁷⁴⁾ Report – Chapter 8, p. 242.

⁽⁷⁵⁾ Report – Chapter 9, p. 260.

⁽⁷⁶⁾ Report – Chapter 9, p. 262.

⁽⁷⁷⁾ Report – Chapter 13, p. 361.

(122) Under national law, only one trade union organisation is active. However, this organisation lacks independence from the state authorities and its engagement in collective bargaining and protection of workers' rights remains rudimentary ⁽⁷⁸⁾. Moreover, the mobility of the Chinese workforce is restricted by the household registration system, which limits access to the full range of social security and other benefits to local residents of a given administrative area.

(123) This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower income than the holders of the residence registration ⁽⁷⁹⁾. Those findings lead to the distortion of wage costs in China.

(124) No evidence was submitted to the effect that the candle sector would not be subject to the Chinese labour law system described. The sector is thus affected by the distortions of wage costs both directly (when making the product concerned or the main raw material for its production) as well as indirectly (when having access to capital or inputs from companies subject to the same labour system in China).

3.2.2.6. Significant distortions according to Article 2(6a)(b), sixth indent of the basic Regulation: access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state

(125) Access to capital for corporate actors in China is subject to various distortions.

(126) Firstly, the Chinese financial system is characterised by the strong position of state-owned banks ⁽⁸⁰⁾, which, when granting access to finance, take into consideration criteria other than the economic viability of a project. Similarly to non-financial SOEs, the banks remain connected to the state not only through ownership but also via personal relations (the top executives of large state-owned financial institutions are ultimately appointed by the CCP ⁽⁸¹⁾) and, again just like non-financial SOEs, the banks regularly implement public policies designed by the GOC.

(127) In doing so, the banks comply with an explicit legal obligation to conduct their business in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the state ⁽⁸²⁾. This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important ⁽⁸³⁾.

(128) While it is acknowledged that various legal provisions refer to the need to respect normal banking behaviour and prudential rules such as the need to examine the creditworthiness of the borrower, the overwhelming evidence, including findings made in trade defence investigations, suggests that these provisions play only a secondary role in the application of the various legal instruments.

⁽⁷⁸⁾ Report – Chapter 13, p. 332.

⁽⁷⁹⁾ Report – Chapter 13, p. 370-373.

⁽⁸⁰⁾ Report – Chapter 5, p. 107.

⁽⁸¹⁾ Report – Chapter 5, p. 126.

⁽⁸²⁾ Report – Chapter 6, p. 149.

⁽⁸³⁾ Report – Chapter 10, p. 272.

- (129) For example, the GOC has clarified that even private commercial banking decisions must be overseen by the CCP and remain in line with national policies. One of the state's three overarching goals in relation to banking governance is now to strengthen the Party's leadership in the banking and insurance sector, including in relation to operational and management issues ⁽⁸⁴⁾. Also, the performance evaluation criteria of commercial banks have now to, notably, take into account how entities 'serve the national development objectives and the real economy', and in particular how they 'serve strategic and emerging industries' ⁽⁸⁵⁾.
- (130) Furthermore, bond and credit ratings are often distorted for a variety of reasons including the fact that the risk assessment is influenced by the firm's strategic importance to the GOC and the strength of any implicit guarantee by the government. Estimates strongly suggest that Chinese credit ratings systematically correspond to lower international ratings ⁽⁸⁶⁾.
- (131) This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important ⁽⁸⁷⁾. This results in a bias in favour of lending to SOEs, large well-connected private firms and firms in key industrial sectors, which implies that the availability and cost of capital is not equal for all players on the market.
- (132) Secondly, borrowing costs have been kept artificially low to stimulate investment growth. This has led to the excessive use of capital investment with ever lower returns on investment. This is illustrated by the growth in corporate leverage in the state sector despite a sharp fall in profitability, which suggests that the mechanisms at work in the banking system do not follow normal commercial responses.
- (133) Thirdly, although nominal interest rate liberalization was achieved in October 2015, price signals are still not the result of free market forces but are influenced by government-induced distortions. The share of lending at or below the benchmark rate still represented at least one-third of all lending as of the end of 2018 ⁽⁸⁸⁾. Official media in China have recently reported that the CCP called for 'guiding the loan market interest rate downwards' ⁽⁸⁹⁾. Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.
- (134) Overall credit growth in the China indicates a worsening efficiency of capital allocation without any signs of credit tightening that would be expected in an undistorted market environment. As a result, non-performing loans have increased rapidly, with the GOC a number of times opting to either avoid defaults, thus creating so called 'zombie' companies, or to transfer the ownership of the debt (e.g. via mergers or debt-to-equity swaps), without necessarily removing the overall debt problem or addressing its root causes.

⁽⁸⁴⁾ See official policy document of the China Banking and Insurance Regulatory Commission of 28 August 2020: *Three-year action plan for improving corporate governance of the banking and insurance sectors (2020-2022)*, available at: <http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=925393&itemId=928> (accessed on 28 May 2025). The Plan instructs to 'further implement the spirit embodied in General Secretary Xi Jinping's keynote speech on advancing the reform of corporate governance of the financial sector'. Moreover, the Plan's section II aims at promoting the organic integration of the Party's leadership into corporate governance: 'we shall make the integration of the Party's leadership into corporate governance more systematic, standardised and procedure-based [...] Major operational and management issues must have been discussed by the Party Committee before being decided upon by the Board of Directors or the senior management.'

⁽⁸⁵⁾ See CBIRC's *Notice on the Commercial banks performance evaluation method*, issued on 15 December 2020: http://jrs.mof.gov.cn/gongzuotongzhi/202101/t20210104_3638904.htm (accessed on 28 May 2025).

⁽⁸⁶⁾ See IMF Working Paper 'Resolving China's Corporate Debt Problem', by Wojciech Maliszewski, Serkan Arslanalp, John Caparusso, José Garrido, Si Guo, Joong Shik Kang, W. Raphael Lam, T. Daniel Law, Wei Liao, Nadia Rendak, Philippe Wingender, Jiangyan Yu, Longmei Zhang, October 2016, WP/16/203.

⁽⁸⁷⁾ Report – Chapter 10, p. 272.

⁽⁸⁸⁾ OECD (2019), *OECD Economic Surveys: China 2019*, OECD Publishing, Paris, p. 29, available at: https://doi.org/10.1787/eeco_surveys-chn-2019-en (accessed on 28 May 2025).

⁽⁸⁹⁾ http://www.gov.cn/xinwen/2020-04/20/content_5504241.htm (accessed on 28 May 2025).

(135) In essence, despite the steps that have been taken to liberalize the market, the corporate credit system in China is affected by significant distortions resulting from the continuing pervasive role of the state in the capital markets. Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.

(136) No evidence was submitted in the present investigation demonstrating that the sector of the product concerned is not affected by the government intervention in the financial system in the sense of Article 2(6a)(b), sixth indent of the basic Regulation. Therefore, the substantial government intervention in the financial system leads to the market conditions being severely affected at all levels.

3.2.3. *Systemic nature of the distortions described*

(137) The Commission noted that the distortions described in the Report are characteristic for the Chinese economy. The evidence available shows that the facts and features of the Chinese system as described above as well as in Part I of the Report apply throughout the country and across the sectors of the economy. The same holds true for the description of the factors of production as set out above and in Part II of the Report.

(138) The Commission recalls that in order to produce the product concerned, certain inputs are needed. When the producers of the product concerned purchase/contract these inputs, the prices they pay (and which are recorded as their costs) are clearly exposed to the same systemic distortions mentioned before. For instance, suppliers of inputs employ labour that is subject to the distortions. They may borrow money that is subject to the distortions on the financial sector/capital allocation. In addition, they are subject to the planning system that applies across all levels of government and sectors. These distortions were described in detail above, in particular in recitals 104 – 136. The Commission pointed out that the regulatory setup underpinning those distortions is generally applicable, candle producers being subject to those rules as any other economic operator in China. The distortions have therefore a direct bearing on the cost structure of the product concerned.

(139) As a consequence, not only the domestic sales prices of the product concerned are not appropriate for use within the meaning of Article 2(6a)(a) of the basic Regulation, but all the input costs (including raw materials, energy, land, financing, labour, etc.) are also affected because their price formation is affected by substantial government intervention, as described in Parts I and II of the Report.

(140) Indeed, the government interventions described in relation to the allocation of capital, land, labour, energy and raw materials are present throughout China. This means, for instance, that an input that in itself was produced in China by combining a range of factors of production is exposed to significant distortions. The same applies for the input to the input and so forth.

(141) No evidence or argument to the contrary has been adduced by the GOC or the exporting producers in the present investigation.

3.2.4. *Arguments from the interested parties*

(142) On 8 May 2025, Qingdao Kingking submitted a set of comments in reply to the First Note, including with respect to the application of Article 2(6a) of the basic Regulation.

(143) The company noted that the allegations that there is a ‘significant distortion’ in the prices of a specific industry in China should not be a pre-determined conclusion, pointing also out that according to the EU rules, the production cost of a certain industry in China can be recognized as long as it is proved that there is no distortion. It noted further that the price distortion for the four basic industries in China had nothing to do with the specific candle industry, as well as that the Commission investigations in 2009 and 2015, respectively, had concluded that prices in China would not have been distorted.

(144) Qingdao Kingking reiterated these claims in its comments on the Second Note, submitted on 3 June 2025.

(145) These arguments could not be accepted. First, the company's reference to the original investigation and the 2015 expiry review is irrelevant, since those investigations predate the introduction of Article 2(6a) into the basic Regulation. Second, pursuant to Article 2(6a)(a) of the basic Regulation, the Commission may use domestic costs to determine normal value but only to the extent that they are positively established not to be distorted, on the basis of accurate and appropriate evidence. However, other than alleging an absence of distortions with reference to the 2009 and 2015 investigation, the company failed to submit any evidence that the candle industry would currently not be affected by these distortions. As described in detail in recitals 79 and 88 concerning Qingdao Kingking's party affiliations, and in recitals 62 – 141, the sector of the product concerned, including the sectors of its main inputs, is subject to significant distortion within the meaning of Article 2(6a)(b) of the basic Regulation.

3.2.5. Conclusion

(146) The analysis set out in this section, which includes an examination of all the available evidence relating to China's intervention in its economy in general as well as in the sector of the product concerned showed that prices and costs of the product concerned, including the costs of raw materials, energy and labour, are not the result of free market forces because they are affected by substantial government intervention within the meaning of Article 2(6a)(b) of the basic Regulation as shown by the actual or potential impact of one or more of the relevant elements listed therein.

(147) On that basis, the Commission concluded that it is not appropriate to use domestic prices and costs to establish normal value in this case.

(148) Consequently, the Commission proceeded to construct the normal value exclusively on the basis of costs of production and sale reflecting undistorted prices or benchmarks, that is, in this case, on the basis of corresponding costs of production and sale in an appropriate representative country, in accordance with Article 2(6a)(a) of the basic Regulation, as discussed in the following section.

3.2.6. Representative country

3.2.6.1. General remarks

(149) The choice of the representative country was based on the following criteria pursuant to Article 2(6a) of the basic Regulation:

- A level of economic development similar to the PRC. For this purpose, the Commission used countries with a gross national income per capita similar to the PRC on the basis of the database of the World Bank ⁽⁹⁰⁾;
- Production of the product under investigation in that country;
- Existence of relevant readily available data in the representative country.
- Where there is more than one possible representative country, preference was given, where appropriate, to the country with an adequate level of social and environmental protection.

(150) As explained in recital 36, the Commission issued two notes for the file on the sources for the determination of the normal value. These notes described the facts and evidence underlying the relevant criteria, and also addressed the comments received by the parties on these elements and on the relevant sources. In the second note on production factors, the Commission informed interested parties of its intention to consider Thailand as an appropriate representative country in the present case if the existence of significant distortions pursuant to Article 2(6a) of the basic Regulation would be confirmed.

⁽⁹⁰⁾ World Bank Open Data – Upper Middle Income, <https://data.worldbank.org/income-level/upper-middle-income>.

3.2.6.2. A level of economic development similar to the PRC

- (151) In the First Note, the Commission informed interested parties on the relevant sources it intended to use for the determination of the normal value and provided a list of all factors of production such as raw materials, labour and energy. It also identified possible representative countries.
- (152) According to import statistics of raw materials, imports of the factors of production ('FOPs') necessary to produce candles, tapers and the like were found in the following countries that met the criteria set out in 2(6a)(a), first indent of the basic Regulation: Argentina, Brazil, Colombia, Indonesia, North Macedonia, Mexico, Malaysia, Peru, Philippines, Serbia, Thailand, Türkiye and South Africa. It is also considered that candles are produced in all those countries.
- (153) No comments were received concerning the countries identified in that note regarding the level of economic development.

3.2.6.3. Existence of relevant readily available data in the representative country

- (154) The Commission was unable to find readily available financial data from candle producers in any of the countries mentioned in the previous section except Malaysia and Thailand. Moreover, the financial details found from candle producers in Malaysia were not sufficiently detailed to calculate the SG&A and profit.
- (155) Only in Thailand the Commission identified five companies that produce candles and for which financial data was available with one quarter overlap with the investigation period.
- (156) While the availability of financial data from candles producers in Thailand indicated that Thailand should constitute a representative country (as also indicated in the Notice of Initiation), for three important FOPs (paraffin wax, glass containers and packaging paper), import volumes into Thailand included significant quantities at distorted prices originating from China.
- (157) The Commission sought an alternative country where imports of these FOPs from China would be significantly lower. Türkiye clearly emerged as the most suitable option, where imports of all FOPs representing more than 2 % of total production costs originated for no less than 63 % from countries other than China. Specifically, for paraffin wax, the key raw material, only 15 % of imports into Türkiye originated from China.
- (158) The Commission therefore carried out an extensive search using readily available sources for relevant financial data in Türkiye. While several Turkish candle producers were identified, no readily available financial data was found to establish their profit margins and SG&A expenses. The Commission invited all interested parties to submit such information if available, and none of them identified any other company in any other country than the Thai companies identified by the Commission.
- (159) In response to the First Note, neither any exporting producer nor the Union industry objected to the use of Thailand as a representative country. No party provided any financial data from any other potential representative country.
- (160) On impact of Chinese distorted inputs on prices of certain FOPs in Thailand, the parties had contradicting arguments against and in favour of using import data from Thailand. Exporting producers in favour of using Thailand as a source for all FOPs pointed out that the overall volumes of imports of those FOPs were bigger into Thailand compared to Türkiye and that it would be against the Commission's earlier practice to select alternative source for FOPs that could not be sourced from the representative country. Meanwhile, the Union industry expressed concern that if a significant portion of imports of certain FOPs originate from the PRC, then the prevailing price level of that FOP may be considered distorted.
- (161) In the Second Note, the Commission proposed that for all FOPs where imports from China represented more than 50 % of the total import volume (i.e., paraffin wax, glass containers and packaging/labels), it would source undistorted prices from Türkiye. Unlike Thailand, imports into Türkiye from other countries than China consistently exceeded 50 % threshold, providing a more reasonable benchmark.

(162) The Union industry suggested to search the financial data using the category of industries (NACE) in Türkiye within which candle production falls. The Commission considered that since the data from candle producers are available, it is more appropriate to use those than the less precise NACE level classification.

(163) Qingdao Kingking disagreed with the criterion of using upper-middle-income countries to source the benchmarks. As this requirement stems from Article 2(6a) of the basic Regulation, this claim was dismissed.

3.2.6.4. Level of social and environmental protection

(164) Having established that Thailand was the only available appropriate representative country, based on all of the above elements, there was no need to carry out an assessment of the level of social and environmental protection in accordance with the last sentence of Article 2(6a)(a) first indent of the basic Regulation.

3.2.6.5. Conclusion

(165) In view of the above analysis, Thailand met the criteria laid down in Article 2(6a)(a), first indent of the basic Regulation to be considered as an appropriate representative country as it is the only country with available financial data needed to establish the SGA and profit. For three FOPs that are affected by distorted Chinese imports, data will be sourced from Türkiye, which has overall the lowest imports from China and has a very detailed imports statistics available.

(166) In response to the comments for sourcing from Türkiye of prices of certain FOPs, the Commission considered that, even if a representative country is selected, this did not prevent it from, within certain well-defined criteria, consider prices therefrom as potentially distorted and source prices from other countries within the same general category of countries as per Article 2(6a). The detailed analysis of the concerned factors is in the next section.

(167) Qingdao Kingking argued that the Turkish economy is distorted and unstable, and therefore should not be used as a representative country. The Commission noted that, regardless of the overall state of the Turkish economy, it would have only a limited impact on the import prices of the factors of production relevant to this case. As such, a detailed assessment of the Turkish economy was not necessary and this claim was therefore dismissed.

3.2.7. Sources used to establish undistorted costs

(168) In the First Note, the Commission listed the factors of production such as raw materials, energy and labour used in the production of the product under investigation by the exporting producers and invited the interested parties to comment and propose publicly available information on undistorted values for each of the factors of production mentioned in that note.

(169) Subsequently, in the Second Note, the Commission stated that, to construct the normal value in accordance with Article 2(6a)(a) of the basic Regulation, it would use GTA (for import prices) and MacMap (for customs duties) to establish the undistorted cost of most of the factors of production, notably the raw materials.

(170) Exporting producer Qingdao Kingking inquired about the reason of difference of data figures between Notes 1 and 2, and the need of using two different databases (GTA and MacMap) and requested the exact duty rate for each FOP used in the calculation process. The difference between the two Notes is that in the First Note the international HS-6 level (Harmonised System of classification of goods) is used to compare the availability and prices of all raw materials between several potential representative countries. The Second Note refers to the statistics of the selected representative country at its national customs level (beyond HS-6 digits), knowing that customs duties are levied by customs authorities on that basis only. Customs duties need to be added to the import data, at conventional or preferential rates where the case, from all partner countries to calculate the most accurate full import price. Therefore, both databases, which are readily available (see sources in footnotes 88 and 89), need to be used in the benchmark calculations.

(171) Qingdao Kingking also argued that determining the undistorted price of a given factor of production based on an average price under a certain HS code in a specific country was inappropriate. It noted that a single HS code often encompassed various product grades, qualities, and end-uses, each associated with different price levels. Consequently, relying on an undifferentiated average price for all such variations was not consistent with the basic principles for establishing normal value. The Commission rejected this claim as it relied on national tariff codes from the most appropriate representative country, as explained in the recital above concerning the Second Note. This allowed the Commission to filter the data at the most granular level of classification and product description to identify the closest possible match to the raw material used by the producers.

3.2.7.1. Factors of production

(172) Considering all the information submitted by the interested parties and collected during the verification visits, the following factors of production and their sources have been identified in order to determine the normal value in accordance with Article 2(6a)(a) of the basic Regulation:

Table 1

Factor of Production	Representative country	Commodity codes	Source of data the Commission intends to use	Value (CNY)	Unit of measurement
Raw Materials					
Paraffin wax	Türkiye	2712 20 10 2712 20 900019	Global Trade Atlas (GTA) ⁽⁹¹⁾ / MacMap ⁽⁹²⁾	16,75	Kg
Vegetable waxes	Thailand	1521 10	Global Trade Atlas (GTA) / MacMap	81,41	Kg
Synthetic wax	Thailand	3404 90 90	Global Trade Atlas (GTA) / MacMap	21,66	Kg
Fragrance	Thailand	3302 90	Global Trade Atlas (GTA) / MacMap	138,16	Kg
Glass containers	Türkiye	7010 90 910011 7010 90 990011	Global Trade Atlas (GTA) / MacMap	1,02	Pieces
Metal containers	Thailand	7310 29 19 7310 29 99	Global Trade Atlas (GTA) / MacMap	0,82	Pieces
Ceramic containers	Thailand	6914 90	Global Trade Atlas (GTA) / MacMap	3,85	Pieces
Packaging (corrugated)	Türkiye	4819 10	Global Trade Atlas (GTA) / MacMap	16,02	Kg
Inner paper (non-corrugated)	Türkiye	4819 20 000011 4819 20 000019	Global Trade Atlas (GTA) / MacMap	31,00	Kg

⁽⁹¹⁾ <https://connect.spglobal.com/>

⁽⁹²⁾ <https://www.macmap.org/>

Factor of Production	Representative country	Commodity codes	Source of data the Commission intends to use	Value (CNY)	Unit of measurement
Labour					
Labour	Thailand	[N/A]	Statistics published by the National Bank of Thailand ⁽⁹³⁾	14,9	Labour costs/hour
Energy					
Electricity	Thailand	[N/A]	Metropolitan Electricity Authority of Thailand ⁽⁹⁴⁾	1,15	kWh

(173) The Commission included a value for manufacturing overhead costs to cover costs not included in the factors of production referred to above. To establish this amount, the Commission used the sampled exporting producers' reported costs of manufacturing that had not been included in the individual FOP above, such as depreciation and costs for maintenance.

3.2.7.1.1. Raw materials

(174) To establish the undistorted price of raw materials as delivered at the gate of a representative country producer, the Commission used as a basis the weighted average import price to the representative country as reported in the GTA to which import duties and transport costs were added.

(175) An import price in the representative country was determined as a weighted average of unit prices of imports from all third countries excluding the PRC and countries which are not members of the WTO, listed in Annex 1 of Regulation (EU) 2015/755 of the European Parliament and the Council ⁽⁹⁵⁾.

(176) The Commission decided to exclude imports from the PRC into the representative country as it concluded in section 3.2.1 that it is not appropriate to use domestic prices and costs in the PRC due to the existence of significant distortions in accordance with Article 2(6a)(b) of the basic Regulation.

(177) Given that there is no evidence showing that the same distortions do not equally affect products intended for export, the Commission considered that the same distortions affected export prices.

(178) When exporting producers claimed that they had imported factors of production at undistorted prices, the Commission verified the corresponding invoices and inspected the warehouses where the imported raw materials were stored. Where the Commission could establish that the inputs were fully imported at undistorted prices — for instance, when sourced directly from raw material producers located outside China — those prices were accepted and not replaced by benchmark values. This concerned materials that were not available on the Chinese market and therefore had to be imported.

3.2.7.1.1.1. Units of measurements

(179) The Commission noted that the exporting producers used different units of measurement depending on the material. To ensure the most accurate comparison, the Commission selected benchmarks in the appropriate unit. For most

⁽⁹³⁾ (https://app.bot.or.th/BTWS_STAT/statistics/BOTWEBSTAT.aspx?reportID=636&language=ENG)

⁽⁹⁴⁾ <https://www.mea.or.th/en/our-services/mea-service/e-service/electric-monthly-calculate/type4>.

⁽⁹⁵⁾ Regulation (EU) 2015/755 of the European Parliament and of the Council of 29 April 2015 on common rules for imports from certain third countries (OJ L 123, 19.5.2015, p. 33, ELI: <http://data.europa.eu/eli/reg/2015/755/oj>). Article 2(7) of the basic Regulation considers that domestic prices in those countries cannot be used for the purpose of determining normal value.

materials, including paraffin wax, the benchmarks were in kilograms, while for glass, metal, and ceramic containers, the benchmarks were in pieces. The units of measurement were chosen to match those used by the companies in their manufacturing costs.

3.2.7.1.1.2. Tolling arrangements

- (180) Some exporting producers used tollers for part of the manufacturing of the candles. The tollers supplied the labour and in certain cases some raw materials. For this service, the toller issued a tolling or processing fee.
- (181) To convert the value of the tolling fee into the value of the underlying cost of labour and/or raw materials, each type of candle for which tolling had been used had been identified and linked to the tolling set-up.
- (182) In cases where the tolling fee only represented labour, the tolling fee was converted into a corresponding value for labour, having first deducted a fair percentage for SG&A and profit incurred by the toller. The converted value had thereafter been reconverted into labour hours, using the exporting producer's own labour cost/hour.
- (183) In cases where the tolling fee represented both labour costs and raw material cost, the tolling fee was converted into a corresponding value for labour and raw materials, having first deducted a fair percentage for SG&A and profit incurred by the toller.
- (184) If the exporting producer manufactured the same type of candle as the toller, the distribution between labour costs and the various raw material costs for that product type was used.
- (185) If the exporting producer did not manufacture the same type of candle as the toller, the overall distribution between labour costs and the various raw material costs for the whole exporting producer was used.
- (186) In both cases, the converted values of raw materials and labour had thereafter been reconverted into labour hours and raw material consumption, using the exporting producer's own labour cost/hour and price/kg or piece respectively.

3.2.7.1.1.3. Paraffin wax

- (187) As explained in section 3.2.6.3, the benchmark for paraffin wax, the key raw material for the candles production could not be sourced from the representative country Thailand.
- (188) More than 58 % of the wax imports into Thailand originated from China. Therefore, the Commission considered that the distorted Chinese price exerted downward pressure on the prices from other countries since the import price from the other countries were very similar to import prices from China. Therefore, this price could not be used and import statistics from Türkiye, where the Chinese imports only accounted for less than 15 %, was considered more appropriate. The Commission found no signs of downward pressure exercised by Chinese imports in Türkiye.
- (189) The Chinese exporting producers contested this approach, asserting in their submissions that the total volume of non-Chinese wax imports was in fact lower in Türkiye than in Thailand. However, as explained in the recital above, the Commission found that the price level in Thailand was distorted, while this was not the case of import prices from Türkiye. Therefore, these claims were dismissed.
- (190) Qingdao Kingking also claimed that synthetic paraffin should be excluded from the wax benchmark without providing any justification for this. This claim was therefore dismissed.

- (191) Qingdao Kingking further claimed that imports into Türkiye from South Africa and Poland should be excluded from Turkish statistics, due to the heavy imports from China to those countries. Qingdao Kingking neither explained nor quantified the link between imports into the country and its export prices to Türkiye, therefore this claim was dismissed.

3.2.7.1.1.4. Glass containers

- (192) As explained in section 3.2.6.3, the benchmark for glass containers could not be sourced from the representative country Thailand.
- (193) Less than 15 % of Thailand's total imports of glass containers originated from countries other than China. By contrast in Türkiye over 73 % of such imports originated from non-Chinese sources. The significant difference between Turkish import prices from China and from other countries demonstrated that the latter were not influenced by Chinese prices.
- (194) In addition, the Turkish statistics provided more detailed data expressed in pieces, which could be aligned with the units used by the exporting producers.

3.2.7.1.1.5. Paper packaging

- (195) As explained in section 3.2.6.3, the benchmark for paper packaging could not be sourced from the representative country Thailand.
- (196) Around 27 % of total Thai imports of paper packaging originated from other countries than China. In contrast to the imports into Türkiye where more than 88% originated from other countries than China. The significant difference between Turkish import prices from China and from other countries demonstrated that the latter were not influenced by Chinese prices.
- (197) In addition, the Turkish statistics enabled splitting the paper to the corrugated packaging and non corrugated packaging, which closely matches the reported FOPs of the exporting producers.

3.2.7.1.1.6. Synthetic wax

- (198) Qingdao Kingking submitted that imports of synthetic wax into Thailand from Germany, Japan and Singapore should be excluded from the benchmark calculation, because they may be used for military and scientific research.
- (199) The Commission considers this claim as unfounded, as Qingdao Kingking did not further substantiate its claim.

3.2.7.1.1.7. Ceramic containers

- (200) Qingdao Kingking in its comments required that the Commission disregarded imports from certain countries due to the prices it considered abnormally high as they are allegedly high-end ceramics for other purposes than candles.
- (201) In the absence of any further information or evidence, the Commission considered this claim as unfounded and rejected this claim.

3.2.7.1.1.8. Other comments

- (202) With regard to import duties applicable to the imports of the FOPs, these have been included in the benchmark price used.

(203) The Commission expressed the transport cost incurred by the cooperating exporting producer for the supply of raw materials as a percentage of the actual cost of such raw materials and then applied the same percentage to the undistorted cost of the same raw materials to obtain the undistorted transport cost. The Commission considered that, in the context of this investigation, the ratio between the exporting producer's raw material and the reported transport costs could be reasonably used as an indication to estimate the undistorted transport costs of raw materials when delivered to the company's factory.

3.2.7.1.1.9. Consumables

(204) The exporting producers reported thousands of different production inputs. Verification confirmed that, particularly in the decorative candle segment, many of these inputs were individually of negligible value and could not be easily grouped into specific categories or classified under an HS code, making it nearly impossible to identify a reasonable benchmark price for them. Therefore, all factors of production representing less than 1,5 % of the total production cost were grouped under the category of consumables. Parties were informed about this in the Second Note.

(205) The Commission calculated the percentage of the consumables on the total cost of raw materials and applied this percentage to the recalculated cost of raw materials when using the established undistorted benchmarks.

(206) Qingdao Kingking claimed that some raw materials should be maintained with their own factors of production price, or include their initial HS code from the first Note. The Commission dismissed this claim in the provisional phase as this related to the FOPs with insignificant proportion on the costs of production.

3.2.7.1.2. Labour

(207) For labour ⁽⁹⁶⁾ costs, the National Bank of Thailand publishes detailed information on wages in different economic sectors in Thailand. The Commission used the latest available statistics covering the investigation period for average labour cost in the private manufacturing sector.

3.2.7.1.3. Electricity

(208) The price of electricity for companies (industrial users) in Thailand is published by Thailand Board of Investment and Metropolitan Electricity Authority in Thailand ⁽⁹⁷⁾. The Commission used the data on the industrial electricity prices as a weighted average between on-peak and off-peak prices in THB/kWh, covering the investigation period. The details thereof were attached to the Second Note.

(209) Qingdao Kingking suggested to adapt the electricity cost, because it was higher than what the Commission used in the anti-dumping investigation concerning imports of fasteners from China (AD676).

(210) The Commission reviewed the electricity calculation and identified an error in the application of the Ft (Fuel Tariff) adjustment mechanism. As a result, the Commission corrected the error and revised the electricity price accordingly.

(211) Qingdao Kingking also claimed that as it uses some supplementary photovoltaic power in its production the Commission should provide price of PV in Thailand. However, the Commission considered this claim irrelevant for the determination of the electricity benchmark. This is because the electricity benchmark is intended to reflect the average undistorted price of electricity available to industrial users in the representative country, rather than company-specific or self-generated electricity sources. Photovoltaic electricity, particularly when self-produced, does not form part of the public or commercial electricity grid and therefore does not represent a reliable or broadly applicable benchmark. Therefore, the claim was rejected.

⁽⁹⁶⁾ (https://app.bot.or.th/BTWS_STAT/statistics/BOTWEBSTAT.aspx?reportID=636&language=ENG)

⁽⁹⁷⁾ https://www.boei.go.th/index.php?page=utility_costs and <https://www.mea.or.th/en/our-services/tariff-calculation/latestft>.

- (212) Ningbo Kwung's Home contested the method to establish the electricity benchmark. They argued that the consumption bands in the Zhejiang Province differ from those in Thailand where the Time-Of-Use tariff distinguishes peak hours from 9:00 AM to 10:00 PM and required to change the method.
- (213) The Commission determined that the method employed was the most suitable available, as it most accurately reflects the electricity pricing that would be incurred if production occurred in the representative country. Additionally, the electricity consumption for candle production typically happens during factory operating hours, which coincide with the peak consumption tariff. Therefore, the claim was dismissed.

3.2.7.1.4. Manufacturing overhead costs, SG&A and profit

- (214) According to Article 2(6a)(a) of the basic Regulation, 'the constructed normal value shall include an undistorted and reasonable amount for administrative, selling and general costs and for profits'. In addition, a value for manufacturing overhead costs needs to be established to cover costs not included in the factors of production referred to above.
- (215) In the First Note, one exporting producer pointed out that one of the five candle producers in Thailand for which the Commission had been able to retrieve financial data was a subsidiary to one of the non-sampled, cooperating exporting producers in the PRC and its financial performance may have been affected by its location in a special PRC-Thailand economic development zone and access to raw materials from its PRC-based parent company.
- (216) The Commission accepted this claim and therefore disregarded the data of this Thai producer to determine the SG&A and profit.
- (217) In the Second Note, the Commission also informed interested parties that it would establish SG&A and profits based on publicly available information. To this end, two of the remaining four candle producers with available data in Thailand, showed a profit margin of less than 1 %. This was also pointed out by the Union industry in its submission. The Commission therefore proposed to exclude those two candle producers and base the calculation of the SG&A and the profit on a simple average of the remaining two.
- (218) For establishing an undistorted and reasonable amount for SG&A and profit, the Commission relied on the financial data for 2023 for 2 candles producers in Thailand, as extracted from Orbis. The Commission has taken a weighted average of the two candle producers.
- (219) The manufacturing overheads incurred by the cooperating exporting producers were expressed as a share of the costs of manufacturing actually incurred by the exporting producers. This percentage was applied to the undistorted costs of manufacturing.

3.2.8. Calculation

- (220) On the basis of the above, the Commission constructed the normal value per product type on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.
- (221) First, the Commission established the undistorted manufacturing costs. The Commission applied the undistorted unit costs to the actual consumption of the individual factors of production of the cooperating exporting producer. These consumption rates were verified during the verification. The Commission multiplied the usage factors by the undistorted costs per unit observed in the representative country.
- (222) Then the Commission added manufacturing overheads to the undistorted cost of manufacturing to arrive at the undistorted costs of production.
- (223) To the costs of production established as described in the previous recital, the Commission applied SG&A and profit, as derived from the two candle producers in Thailand referred to in recital 218.

- (224) SG&A expressed as a percentage of the Costs of Goods Sold ('COGS') and applied to the undistorted costs of production, amounted to 14 %. The profit expressed as a percentage of the COGS and applied to the undistorted costs of production, amounted to 7 %.
- (225) On that basis, the Commission constructed the normal value per product type on an ex-works basis in accordance with Article 2(6a)(a) of the basic Regulation.

3.3. **Export price**

- (226) The export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.

3.4. **Comparison**

- (227) Article 2(10) of the basic Regulation requires the Commission to make a fair comparison between the normal value and the export price at the same level of trade and to make allowances for differences in factors which affect prices and price comparability.
- (228) In the case at hand the Commission chose to compare the normal value and the export price of the sampled exporting producers at the *ex-works* level of trade. As further explained below, where appropriate, the export price was adjusted in order to: (i) net them back to the *ex-works* level; and (ii) make allowances for differences in factors which were claimed, and demonstrated, to affect prices and price comparability.

3.4.1. *Adjustments made to the normal value*

- (229) As explained in recital 225, the normal value was established at the *ex-works* level of trade by using costs of production together with amounts for SG&A and for profit, which were considered to be reasonable for that level of trade. Therefore, no adjustments were necessary to net the normal value back to the *ex-works* level.
- (230) The Commission found no reasons for making any allowances to the normal value, nor were such allowances claimed by any of the sampled exporting producers.

3.4.2. *Adjustments made to the export price*

- (231) In order to net the export price back to the *ex-works* level of trade, adjustments were made on the account of: customs duty, other import charges, freight, insurance, handling loading and ancillary expenses.
- (232) The sampled producers sold the product concerned either directly or through related traders for export to the EU. In the latter case, i.e. where sales were made through a related trader located either in China or Hong Kong, the Commission established that the trader in question performed functions similar to those of an agent working on commission basis. In all cases the traders were operating in parallel with the sales department of the exporting producer and were receiving markup for their functions. The traders were also trading other products than the product concerned and also product concerned purchased from third parties which was not manufactured by the exporting producer. Finally, both exporting producers were also exporting directly the product concerned to the Union, as well as the product concerned and other products to third countries, and had therefore their own export departments.
- (233) The prices of the relevant transactions have been adjusted to account for commission pursuant to Article 2(10)(i) of the basic Regulation.
- (234) Concerning these trading transactions, the Commission sourced the SG&A as from each respective related trader.
- (235) The profit margin was established individually for each respective trader. In the absence of cooperation from an unrelated trader, it was sourced from the profit obtained when the exporting producer purchased candles from unrelated suppliers in the PRC and subsequent resold these candles to independent customers in the Union. The calculation was done at a PCN-level or at the sub-PCN-level in order to obtain matching purchase and resale prices.

3.5. Dumping margins

(236) For the sampled cooperating exporting producers, the Commission compared the weighted average normal value of each type of the like product with the weighted average export price of the corresponding type of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation.

(237) On this basis, the provisional weighted average dumping margins expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows

Table 2

Company	Provisional dumping margin
Ningbo Kwung's Home Interior & Gift Co. Ltd.	10,6 %
Ningbo Kwung's Wisdom Art & Design Co., Ltd. Anhui Fenyuan Aromatic Technology Co., Ltd.	70,9 %
Qingdao Kingking Applied Chemistry Co., Ltd.	57,5 %

(238) For the cooperating exporting producers outside the sample, the Commission calculated the weighted average dumping margin, in accordance with Article 9(6) of the basic Regulation. Therefore, that margin was established on the basis of the margins of the sampled exporting producers, disregarding the margins of the exporting producers with zero and *de minimis* dumping margins.

(239) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 55,5 %.

(240) For all other exporting producers in the PRC the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation.

(241) To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers, sampled and non-sampled, to the Union expressed as proportion of the total imports from the country concerned to the Union in the IP, that were established on the basis of import statistics from Eurostat.

(242) The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted around 80 % of the total imports during the IP. In addition the industry is considered fragmented. On this basis, the Commission find it appropriate to establish the dumping margin for non-cooperating exporting producers at the level of the cooperating sampled individually examined company with the highest dumping margin.

(243) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Ningbo Kwung's Home Interior & Gift Co. Ltd.	10,6 %
Ningbo Kwung's Wisdom Art & Design Co., Ltd. Anhui Fenyuan Aromatic Technology Co., Ltd.	70,9 %
Qingdao Kingking Applied Chemistry Co., Ltd.	57,5 %

Company	Provisional dumping margin
Other cooperating companies	55,5 %
All other imports originating in country concerned	70,9 %

4. INJURY

4.1. Definition of the Union industry and Union production

(244) The like product was manufactured by more than 80 producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.

(245) The total Union production during the investigation period was established at around 484 048 tonnes. The Commission established the figure on the basis of all the available information concerning the Union industry, such as data contained in the questionnaire reply of the complainant relating to all Union producers and the questionnaire replies received from the sampled Union producers. The sampled Union producers represented more than 16 % of the total Union production of the like product.

4.2. Union consumption

(246) The Commission established the Union consumption on the basis of: (a) data submitted by the complainant concerning the Union industry's sales of the like product to unrelated customers in the Union, as cross-checked with the sales volumes reported by the sampled Union producers; and (b) imports of the product under investigation from all third countries into the Union, as reported in Eurostat.

(247) Union consumption developed as follows:

Table 3

Union consumption (tonnes)

	2021	2022	2023	Investigation period
Total Union consumption	736 442	751 713	600 391	617 001
Index	100	102	82	84

Source: Complainant, sampled Union producers and Eurostat.

(248) Consumption in the Union decreased by 16 % during the period considered. A detailed analysis reveals that the Union consumption increased by 2 % from 2021 to 2022, followed by a significant drop in 2023. From 2023 to the investigation period, consumption increased by 2 % but remained 15 % below the beginning of the period considered.

(249) During the COVID-19 pandemic and the subsequent years, 2021 and 2022, candle consumption in the Union experienced an increase. This rise was attributed to changes in consumer behaviour, particularly due to extended periods of home confinement, which resulted in a higher level of interest in home decoration. Following the year 2022, a decline in consumption was observed, as detailed above.

4.3. Imports from the country concerned

(250) The Commission established the volume of imports on the basis of Eurostat data. The market share of the imports was established by comparing the volume of imports with the Union consumption.

(251) Imports into the Union from the country concerned developed as follows:

Table 4

Import quantity (tonnes) and market share

	2021	2022	2023	Investigation period
Volume of imports from the country concerned (tonnes)	97 764	137 953	116 036	136 548
<i>Index</i>	100	141	119	140
Market share (%)	13	19	20	22
<i>Index</i>	100	138	146	167

Source: Eurostat.

(252) Imports from the country concerned increased from 97 764 tonnes to 136 548 tonnes over the period considered, an increase of 40 %. After a significant rise in 2022, where imports peaked at 137 953 tonnes, a 41 % increase compared to 2021, volumes declined in 2023 to 116 036 tonnes before partially recovering during the investigation period. The overall increase during the investigation period was 40 %.

(253) The market share of those imports increased from 13 % to 22 % over the period considered, an increase of 67 %.

4.4. Prices of the imports from the country concerned: price undercutting and price suppression

(254) The Commission established the prices of imports on the basis of data provided by the cooperating exporting producers, which represented 52 % of Chinese imports to the Union in the investigation period.

(255) The average price of imports into the Union from the country concerned developed as follows:

Table 5

Import prices (EUR/ tonne)

	2021	2022	2023	Investigation period
China	2 595	3 081	2 601	2 516
<i>Index</i>	100	119	100	97

Source: Eurostat.

(256) The average import prices from China decreased by 3 % over the considered period. Prices increased by around 19 % to reach 3 081 EUR/tonne in 2022. This was followed by a drop in 2023, with prices falling to 2 601 EUR/tonne, to later decrease to 2 516 EUR/tonne during the investigation period.

(257) The Commission determined the price undercutting during the investigation period by comparing the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level, and the corresponding weighted average prices per product type of the imports from the sampled Chinese producers to the first independent customer on the Union market, established on a Cost, insurance, freight (CIF) basis, with appropriate adjustments, where appropriate, for customs duties and post-importation costs.

(258) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period. It showed a weighted average undercutting margin of between 16,7 % and 43,2 % by a significant portion of the imports from the country concerned on the Union market.

(259) In addition to price undercutting, there was also significant price suppression within the meaning of Article 3(3) of the basic Regulation. Due to the significant price pressure caused by the low-priced dumped imports from the Chinese exporting producers, the Union industry was unable to raise its sales prices throughout the investigation period in line with the development of costs of production and in order to achieve a reasonable level of profit, as set out in Table 9 below. The significant price suppression is further confirmed by the price underselling found on the basis of the data provided by the sampled exporting producers.

4.5. **Economic situation of the Union industry**

4.5.1. *General remarks*

(260) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.

(261) As mentioned in section 1.5.1, sampling was used for the determination of possible injury suffered by the Union industry.

(262) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in questionnaire reply of the complainant relating to all Union producers, which was cross-checked where necessary with the questionnaire replies of the sampled Union producers. The Commission evaluated the microeconomic indicators on the basis of data contained in the questionnaire replies from the sampled Union producers. As the sample of Union producers consisted of two Union producers and in order to ensure confidentiality, the microeconomic indicators are provided in ranges. Both sets of data were found to be representative of the economic situation of the Union industry.

(263) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the dumping margin, and recovery from past dumping.

(264) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital.

4.5.2. Macroeconomic indicators

4.5.2.1. Production, production capacity and capacity utilisation

(265) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 6

Production, production capacity and capacity utilisation

	2021	2022	2023	Investigation period
Production volume (tonnes)	679 505	623 147	524 690	484 048
<i>Index</i>	100	92	77	71
Production capacity (tonnes)	1 239 777	1 249 136	1 071 090	1 074 502
<i>Index</i>	100	101	86	87
Capacity utilisation (%)	55	50	49	45
<i>Index</i>	100	91	89	82

Source: Complainant and sampled Union producers.

(266) During the period considered, the Union industry's production volume experienced a consistent and significant decline with an overall decrease of 29 %. From 2021 to 2022, production decreased by 8 %. This downward trend accelerated in 2023, with production falling by 23 % compared to 2021. The decline continued during the investigation period, at which time production had decreased by 29 % when compared to the production volume in 2021.

(267) During the period considered, the Union industry's production capacity experienced an overall reduction of 13 %. While the capacity remained stable from 2021 to 2022, it experienced a significant decline from 2022 to 2023 and in the investigation period. Given the decrease in the production volume in the period considered, capacity utilization dropped from 55 % in 2021 to 45 % in the investigation period.

4.5.2.2. Sales quantity and market share

(268) The Union industry's sales quantity and market share developed over the period considered as follows:

Table 7

Sales quantity and market share

	2021	2022	2023	Investigation period
Total Sales volume on the Union market (tonnes)	592 656	570 013	451 887	448 151
<i>Index</i>	100	96	76	76
Market share (%)	80	76	75	73

Source: Complainant, sampled Union producers and Eurostat.

(269) Throughout the period considered the total Union industry's sales volume experienced a consistent and significant decline with an overall decrease of 24 %.

(270) Within light of the decrease of sales volume, the Union industry's market share was reduced by 7 % overall over the period considered, with an invariable declining trend that decreased the presence of Union industry in the market from 80 % of market share in 2021 to 73 % in the investigation period.

4.5.2.3. Growth

(271) In the context of a contracting market and declining Union consumption, the data indicate that the Union industry suffered significant losses in production, sales volume, and market share – declines that outpaced the overall market contraction (-6 %). The Union industry's performance deteriorated more sharply than the market, highlighting the industry's particularly vulnerable position during the period considered.

4.5.2.4. Employment and productivity

(272) Employment and productivity developed over the period considered as follows:

Table 8

Employment and productivity

	2021	2022	2023	Investigation period
Number of employees	10 831	10 530	9 093	9 597
<i>Index</i>	100	97	84	89
Productivity (tonnes/ employee)	63	59	58	50
<i>Index</i>	100	94	92	80

Source: Complainant and sampled Union producers.

(273) The Union industry experienced a decline in employment of 11 % over the period considered, with the total number of employees falling from 10 831 in 2021 to 9 597 during the investigation period.

(274) Despite a reduction in employment, the productivity of the Union industry's workforce, measured in tonnes produced per employee per year, declined by 20 % over the period considered, due to a significant decrease in production. Although the Union industry made efforts to adapt its workforce, the drop in production outpaced these adjustments, resulting in a decline in overall productivity.

4.5.2.5. Magnitude of the dumping margin and recovery from past dumping

(275) All dumping margins were significantly above the de minimis level. The impact of the magnitude of the actual margins of dumping on the Union industry was substantial, given the volume and prices of imports from the country concerned.

(276) The product concerned was subject to an anti-dumping investigation in the past. Following an initial investigation, definitive anti-dumping duties were imposed on the product concerned in 2009 ⁽⁹⁸⁾. These measures were repealed following an expiry review investigation in 2015 ⁽⁹⁹⁾. Since these measures were no longer in force during the period considered, the earlier evidence of dumping and the associated duties were no longer relevant for the injury assessment in the context of the current investigation.

4.5.3. Microeconomic indicators

4.5.3.1. Prices and factors affecting prices

(277) The weighted average unit sales prices of the sampled Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 9

Sales prices in the Union

	2021	2022	2023	Investigation period
Average unit sales price in the Union on the total market (EUR/ tonne)	2 000 – 2 500	2 500 – 3 000	2 500 – 3 000	2 500 – 3 000
Index	100	130	131	124
Unit cost of production (EUR/ tonne)	1 500 – 2 000	2 000 – 2 500	2 500 – 3 000	2 000 – 2 500
Index	100	123	148	142

Source: Sampled Union producers.

(278) Sales prices on the Union market to unrelated parties fluctuated over the period considered, ultimately showing an overall increase of 24 %. In 2022, prices rose sharply by 30 %, primarily due to rising input costs. This peak level was maintained throughout 2023. Although the average price declined during the investigation period, it remained 24 % higher than in 2021.

(279) Over the same period, the unit cost of production of sampled Union producers increased by 42 %. From 2021 to 2022, there was a significant increase of 23 %. This trend continued in 2023 with a further 25 % increase, before decreasing in the investigation period. Overall, the cost of production experienced an increase of 42 % during the period considered. This rise was primarily driven by the development of raw material prices and the companies' inability to take full advantage of economies of scale due to a reduction in sales and production.

⁽⁹⁸⁾ Council Regulation (EC) No 393/2009 of 11 May 2009 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain candles, tapers and the like originating in the People's Republic of China (OJ L 119, 14.5.2009, p. 1, ELI: <http://data.europa.eu/eli/reg/2009/393/oj>).

⁽⁹⁹⁾ Commission Implementing Regulation (EU) 2015/1361 of 6 August 2015 repealing the definitive anti-dumping duty imposed on imports of certain candles, tapers and the like originating in the People's Republic of China, following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 1225/2009 (OJ L 210, 7.8.2015, p. 3, ELI: http://data.europa.eu/eli/reg_impl/2015/1361/oj).

4.5.3.2. Labour costs

(280) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 10

Average labour costs per employee

	2021	2022	2023	Investigation period
Average labour costs per employee (EUR)	25 000 – 30 000	25 000 – 30 000	30 000 – 35 000	30 000 – 35 000
<i>Index</i>	100	101	113	119

Source: Sampled Union producers.

(281) The average labour costs per employee increased by 19 % over the period considered. While labour costs remained relatively stable between 2021 and 2022, they experienced a significant increase in 2023 and during the investigation period, primarily due to inflation.

4.5.3.3. Inventories

(282) Stock levels of the sampled Union producers developed over the period considered as follows:

Table 11

Stocks

	2021	2022	2023	Investigation period
Closing stock (tonnes)	10 000 – 12 000	15 000 – 16 000	16 000 – 17 000	22 000 – 23 000
<i>Index</i>	100	139	150	197
Closing stock as a percentage of production (%)	13	15	19	28
<i>Index</i>	100	118	149	223

Source: Sampled Union producers.

(283) In absolute terms, the stocks of the sampled Union producers increased consistently and significantly, rising by 197 % over the period considered. When adjusted for production levels, the closing stock as a percentage of production rose by 123 % during the period considered.

(284) The increase observed from 2023 to the investigation period should be interpreted with caution, as the candle sector is highly seasonal, with a large portion of sales occurring in the final months of the year. Since the investigation period concluded in October, the stock increase may be overstated compared to previous periods. Nonetheless, even accounting for potential seasonal distortions, the rise in stock levels remained significant.

(285) This overall increase in stocks highlights a significant imbalance between production and sales. The trend suggests that despite efforts to align production with demand, the accumulation of unsold inventory reflects serious challenges in accessing the market.

4.5.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

(286) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 12

Profitability, cash flow, investments and return on investments

	2021	2022	2023	Investigation period
Profitability of sales in the Union to unrelated customers (% of sales turnover)	9 – 11	16 – 18	4 – 5	3 – 4
<i>Index</i>	100	155	44	32
Cash flow (EUR)	25 507 524	46 364 882	12 123 379	11 985 098
<i>Index</i>	100	182	48	47
Investments (EUR)	7 500 000 – 10 000 000	12 500 000 – 15 000 000	2 500 000 – 5 000 000	5 000 000 – 7 500 000
<i>Index</i>	100	141	42	56
Return on investments (%)	150 – 160	170 – 180	10 – 20	2 – 8
<i>Index</i>	100	115	8	3

Source: Sampled Union producers.

(287) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. The profitability of the sampled Union producers declined significantly over the period considered, falling from 9 % – 11 % in 2021 to approximately 3 % – 4 % during the investigation period. A detailed analysis revealed a temporary increase in profitability to 16 % – 18 % in 2022, followed by a sharp decrease to 4 % – 5 % in 2023 which continued to deteriorate during the investigation period.

(288) The net cash flow is the ability of the Union producers to self-finance their activities. Over the period considered, net cash flow declined by 53 %. It increased from 2021 to 2022, driven by improved profitability, but then fell sharply in 2023 and during the investigation period, mirroring the deterioration in financial performance.

(289) The level of yearly investments decreased over the period considered by 44 %. It notably increased between 2021 and 2022 by 41 %, to later decrease in the following period until the investigation period. The increase in investments was primarily aimed at reallocating existing capacities and replacing essential production assets. The investment continued despite severe competition, loss of market share and a financially difficult situation.

(290) The return on investments is the profit in percentage of the net book value of investments. It developed negatively over the period considered falling from 150 % – 160 % in 2021 to 2 % – 8 % in the investigation period. The negative development shows that, although investments have continued in order to maintain competitiveness, the returns on those investments have fallen substantially over the period considered.

4.6. Conclusion on injury

- (291) In a context of a substantial decrease of the Union consumption (- 16 %), imports from China increased noticeably during the period considered (+ 40 %), at prices which significantly undercut those of the Union industry. This allowed Chinese exporting producers to reach a market share of 22 % in the investigation period (up from 13 % in 2021).
- (292) In these circumstances, the economic situation of the Union industry worsened as is shown by all major macroeconomic indicators presenting a negative trend: production (- 29 %), EU sales (- 24 %) and a significant reduction of its market share (from 80 % to 73 %) in the period considered.
- (293) In reaction to the pressure of low-priced Chinese imports, the Union industry tried to reduce costs and adjustments in employment (- 11 %) were undertaken. However, as a result of the pressure exerted by dumped Chinese imports in terms of increased volumes and low prices, EU sales, productivity and return on investments dropped rapidly in the period considered, at a rate outpacing the observed drop in consumption.
- (294) The cost of production of the Union industry went up significantly during the period considered (+ 42 %), mainly because of a strong increase in the raw material prices.
- (295) The Union industry's cost increased more than sales prices, consequently, profitability collapsed in the period considered, from 9 % – 11 % in 2021 to an injured scenario (+ 3 % to + 4 %) in the investigation period. Chinese imports consistently undercut Union prices, exerting strong downward pressure on market prices which led to price suppression.
- (296) On the basis of the above, the Commission concluded at this stage that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

5. CAUSATION

- (297) In accordance with Article 3(6) of the basic Regulation, the Commission examined whether the dumped imports from the country concerned caused material injury to the Union industry. In accordance with Article 3(7) of the basic Regulation, the Commission also examined whether other known factors could at the same time have injured the Union industry. The Commission ensured that any possible injury caused by factors other than the dumped imports from the country concerned was not attributed to the dumped imports. These factors are: imports from third countries, the export performance of the Union industry and Union consumption.

5.1. Effects of the dumped imports

- (298) The deterioration of the economic situation of the Union industry coincided with a significant and increasing market penetration of increased imports from China, which consistently undercut the Union industry's prices and, in any event, led to price suppression. In this respect, the evolution of import volumes and prices, as reflected in Tables 4 and 5, suppressed price levels of the Union industry, establishing a causal nexus between the two.
- (299) Imports from China increased by 40 % during the period considered, from 97 764 tonnes in 2021, representing a market share of 13 %, to 136 548 tonnes in the investigation period, representing a market share of 22 %. These increasing imports were made at prices lower than those of the Union industry throughout the period considered and in any event at a price level leading to price suppression, considering that the Union industry could not increase its prices in line with the increase in the cost of production. Similarly, the decline in market share and sales volume, which in turn resulted in a decrease in production output, had a detrimental effect on the industry's unit production costs due to reduced economies of scale.
- (300) This had a strong negative impact on the Union industry. In a situation of increasing costs and the price pressure exerted by the Chinese dumped imports, the Union industry was precluded from setting prices and production volumes at sustainable levels, which resulted in a very strong drop in profitability from 9 % to 11 % in 2021 to 3 % to 4 % in the investigation period, and the consequent deterioration of its financial indicators.

(301) It was, therefore, provisionally concluded that dumped imports from China caused material injury to the Union industry in terms of price and volume.

5.2. Effects of other factors

5.2.1. Imports from third countries

(302) The quantity of imports from other third countries developed over the period considered as follows:

Table 13

Imports from third countries

Country		2021	2022	2023	Investigation period
Total of all third countries except the country concerned	Quantity (tonnes)	30 758	32 668	24 802	25 884
	Index	100	106	81	84
	Market share (%)	4	4	4	4
	Average price	5 116	5 407	5 449	5 024
	Index	100	106	106	98

Source: Eurostat.

(303) Compared to China, other countries maintained a limited presence in the Union market. Although import volumes fluctuated during the period considered, the combined market share of imports from all third countries excluding China remained stable at approximately 4 %. Similarly, throughout the period considered, import prices from these third countries were consistently higher than those of both Chinese exporters and Union producers.

(304) This indicates that, excluding China, all third countries maintained only a marginal presence in the Union market at noticeably higher prices than those of Chinese and Union producers. Therefore, they were not a contributing factor to the deterioration of the Union industry.

(305) On that basis, the Commission provisionally concluded that the impact of imports from other countries does not attenuate the causal link between dumped Chinese imports and the material injury suffered by Union producers.

5.2.2. Export performance of the Union industry

(306) The volume of exports of the sampled Union producers developed over the period considered as follows:

Table 14

Export performance of the sampled Union producers

	2021	2022	2023	Investigation period
Export volume (tonnes)	12 000 – 14 000	10 000 – 12 000	8 000 – 9 000	6 000 – 7 000
Index	100	85	61	51
Average price (tonnes)	2 000 – 2 500	2 500 – 3 000	3 000 – 3 500	2 500 – 3 000
Index	100	139	143	136

Source: Sampled Union producers.

(307) Export volumes from the sampled Union producers declined by 49 % during the period considered, falling by more than 6 000 tonnes, from 12 000 – 14 000 tonnes in 2021 to 6 000 – 7 000 tonnes during the investigation period. Average prices of exports increased by 36 % during the period considered.

(308) The investigation established ⁽¹⁰⁰⁾ that the decline in the export performance of the Union producers can be explained by the pressure exerted by Chinese producers on third-country markets, which in turn has caused a decrease in exports by Union producers. The loss of export sales volume in absolute terms is significantly lower than the loss of sales in the Union. Moreover, the average export price for sales to third countries was higher by 4 % than for EU sales in 2023 and the investigation period.

(309) On that basis, the Commission provisionally concluded that the impact of export performance does not attenuate the causal link between dumped Chinese imports and the material injury suffered by Union producers.

5.2.3. Consumption

(310) Union consumption fell by 16 % during the period considered, while Union sales declined by 24 %. Notably, in 2022, consumption increased by 2 % compared to 2021, yet the Union industry experienced a 4 % decrease in sales over the same period. This indicates a lack of correlation between consumption trends and the industry's sales performance.

(311) Similarly, the Union industry reduced its production volumes by 29 %, leaving capacity utilisation at 45 %, which is higher than would be expected from the 16 % decline in consumption.

(312) On that basis, the Commission provisionally concluded that the decrease in union consumption does not break the causal link between dumped Chinese imports and the material injury suffered by Union producers.

⁽¹⁰⁰⁾ Chinese exports to the rest of the world are substantial in volume and at prices lower than those to the Union (source: Global Trade Atlas).

5.3. Conclusion on causation

- (313) In light of the above considerations, the Commission provisionally established a causal link between the injury suffered by the Union industry and the dumped imports from China. As a result of the significant increase of dumped imports from China, the Union industry was precluded from setting prices and production volumes at sustainable levels, which resulted in a strong deterioration of its economic situation.
- (314) The economic decline of the Union industry coincided with a sharp rise in low-priced dumped imports from China. These imports consistently undercut Union prices, exerting strong downward pressure on market prices. As a result, the Union industry was unable to increase prices in line with rising production costs. This led to falling sales, a reduced output, and a significant drop in profitability. The timing and scale of these developments establish a clear causal link between the dumped imports and the material injury suffered by the Union industry.
- (315) The Commission examined alternative factors that could have contributed to the injury suffered by the Union industry. These included imports from other third countries, the export performance of the Union industry and the evolution of Union consumption. However, none of these were found to weaken the causal link between dumped Chinese imports and the material injury suffered by the Union industry.
- (316) Based on the above, the Commission concluded at this stage that the dumped imports from the country concerned caused material injury to the Union industry and that the other factors, considered individually or collectively, did not attenuate the causal link between the dumped imports and the material injury.

6. LEVEL OF MEASURES

- (317) To determine the level of the measures, the Commission examined whether a duty lower than the margin of dumping would be sufficient to remove the injury caused by dumped imports to the Union industry.
- (318) In the present case, the complainant claimed the existence of raw material distortions within the meaning of Article 7(2a) of the basic Regulation. Thus, to conduct the assessment on the appropriate level of measures, the Commission first established the amount of duty necessary to eliminate the injury suffered by the Union industry in the absence of distortions under Article 7(2a) of the basic Regulation. Then it examined whether the dumping margin of sampled exporting producers would be higher than their injury margin.

6.1. Underselling margin

- (319) The injury would be removed if the Union industry were able to obtain a target profit by selling at a target price in the sense of Articles 7(2c) and 7(2d) of the basic regulation.
- (320) In accordance with Article 7(2c) of the basic Regulation, for the purpose of establishing the target profit, the Commission took into account the following factors: the level of profitability before the increase of imports from the country under investigation, the level of profitability needed to cover full costs and investments, research and development (R&D) and innovation, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6 %.
- (321) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition. The basic profit was established based on the historical profitability of the Union industry from 2019 to 2020, prior to the period considered and possible disruptions caused by the COVID-19 pandemic. Such profit margin was established at 12 %.

(322) The EU Industry provided evidence that its level of investments, research and development (R&D) and innovation during the period considered would have been higher under normal conditions of competition. The Commission verified the company's internal records related to investment plans, management decisions and financial statements and found the claims warranted. To reflect this in the target profit, the Commission calculated the difference between investments, R&D and innovation ('IRI') expenses under normal conditions of competition as provided by the Union industry and verified by the Commission with actual IRI expenses over the period considered. Such difference, expressed as a percentage of turnover, was between 0,33 % and 0,36 % for each of the sampled companies.

(323) Such percentage was added to the basic profit of 12 % mentioned in the recital 308, leading to a target profit of 12,33 % to 12,36 %.

(324) In accordance with article 7(2d) of the basic Regulation, as a final step, the Commission assessed the future costs resulting from Multilateral Environmental Agreements, and protocols thereunder, to which the Union is a party, and of ILO Conventions listed in Annex Ia that the Union industry will incur during the period of the application of the measure pursuant to Article 11(2). Based on the evidence available, the Commission established an additional cost ranging from EUR 62 782 and 900 299 per tonne for each of the sampled companies. From this, it deducted the actual cost of compliance with the relevant conventions during the IP which ranged from EUR 21 922 to EUR 865 022 per tonne for each of the sampled companies. This resulted in a net difference of EUR 0,66 to EUR 2,05 per tonne for each of the sampled companies. This difference was added to the non-injurious price.

(325) On this basis, the Commission calculated a non-injurious price for the like product of the Union industry by applying the above-mentioned target profit margin to the cost of production of the sampled Union producers during the investigation period and then adding the adjustments under Article 7(2d) on a type-by-type basis.

(326) The Commission then determined the underselling margin level on the basis of a comparison of the weighted average import price of the sampled cooperating exporting producers in China, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.

(327) The underselling margin for 'other cooperating companies' and for 'all other imports originating in country concerned' is defined in the same manner as the dumping margin for these companies and imports.

Company	Dumping margin (%)	Underselling margin (%)
Ningbo Kwung's Home Interior & Gift Co. Ltd.	10,6	33,0
Ningbo Kwung's Wisdom Art & Design Co., Ltd.	70,9	1,3
Qingdao Kingking Applied Chemistry Co., Ltd,	57,5	29,1
Other cooperating companies	55,5	22,1
All other imports originating in country concerned	70,9	33,0

6.2. Examination of the margin adequate to remove the injury to the Union industry

(328) As explained in the Notice of Initiation, the complainant provided the Commission sufficient evidence that there are raw material distortions in the country concerned regarding the product under investigation. Therefore, in accordance with Article 7(2a) of the basic Regulation, this investigation examined the alleged distortions to assess whether, if relevant, a duty lower than the margin of dumping would be sufficient to remove injury.

6.3. Raw material distortions

(329) The complainant has provided sufficient evidence in the complaint that there are raw material distortions within the meaning of Article 7(2a) of the basic Regulation in China with regard to the product concerned. According to the evidence in the complaint, paraffin wax, accounting for more than 20 % of the cost of production of the product concerned, is subject to an export restriction in the form of no refund of the export VAT in China.

(330) Therefore, as announced in the Notice of Initiation, in accordance with Article 7(2a) of the basic Regulation, the Commission examined the alleged distortion, and any other distortions covered by Article 7(2a) of the basic Regulation in China.

(331) The Commission first identified the main raw materials used in the production of the product concerned by each of the sampled exporting producers. As main raw materials were considered those raw materials which are likely to represent at least 17 % of the cost of production of the product concerned.

(332) The Commission established that all sampled exporting producers used paraffin wax, which in all cases accounted for more than 17 % of their costs of production.

(333) The Commission then examined whether any of the main raw materials used in the production of the product concerned is distorted by one of the measures listed in Article 7(2a) of the basic Regulation: dual pricing schemes, export taxes, export surtax, export quota, export prohibition, fiscal tax on exports, licensing requirements, minimum export price, value added tax (VAT) refund reduction or withdrawal, restriction on customs clearance point for exporters, qualified exporters list, domestic market obligation, captive mining.

(334) The Commission established that there was no refund of VAT when exporting paraffin wax, which created an incentive not to export paraffin wax, which in turn distorted the domestic market price-setting mechanisms.

(335) Next the Commission compared the price of paraffin wax paid by the sampled exporting producers to prices in the representative international market(s). In this regard, it was found that the unit price of paraffin wax in the PRC, as reported by the sampled exporting producers, was between 25 % and 60 % lower than the unit price in Türkiye⁽¹⁰¹⁾, which was considered an appropriate representative country. Such difference was also confirmed when comparing the price paid by the sampled exporting producers with the information contained in the complaint to support the claim of raw material distortions within the meaning of Article 7(2a) of the basic Regulation. Considering the extent of such difference, domestic prices were considered to be significantly lower than prices in representative international markets.

⁽¹⁰¹⁾ The Commission also searched for an international benchmark, but no such benchmark was readily available. Furthermore, the Commission observed that world prices are influenced by imports from China and its pricing. As the major exporter of paraffin wax, China impacts the import prices of the rest of the world. In addition, in all other potential representative countries analysed, the share of Chinese imports and their impact on the average price was significant. The only exception, in addition to Türkiye, was the Philippines which had 33 % share of imports from China. The price of the non-Chinese imports was even higher than in Türkiye, that is 18 CNY/kg.

(336) Finally, the Commission examined if the paraffine wax accounted individually for at least 17 % of the cost of production of the product concerned. For the purpose of this calculation, an undistorted price of the raw material as established in Table 1 was used. The Commission established that paraffin wax accounted for at least 17 % of the cost of production of the product under investigation.

(337) The Commission concluded that paraffin wax is subject to a distortion within the meaning of Article 7(2a) of the basic Regulation.

6.3.1. Union interest under Article 7(2b) of the basic Regulation

(338) In accordance with Article 7(2b) of the basic Regulation, the Commission examined whether it could clearly conclude that it was in the Union interest to determine the amount of provisional duties in accordance with Article 7(2a) of the basic Regulation. The determination of the Union interest was based on an appreciation of all pertinent information to this investigation, including the spare capacities in the exporting country, competition for raw materials and the effect on supply chains for Union companies.

6.3.1.1. Spare capacities in the exporting country

(339) The complaint indicates that China has significant spare capacity in the production of candles, which appears to be structural in nature. This overcapacity is largely driven by China's position as the world's largest candle producer, responsible for an estimated 50 % of global output. Industry reports ⁽¹⁰²⁾ estimate China's annual production at a minimum of 16 million tonnes, with capacity continuing to expand.

(340) In contrast to its extensive production capabilities, the complaint indicates China's domestic candle market is estimated to be relatively small. As a result, the Chinese candle industry is structurally export-oriented and heavily reliant on foreign markets to absorb its excess production. The Union market is highly attractive due to its size and consistently high demand for candles. This is reflected in the fact that the majority of leading Chinese candle producers export between 70 % and 90 % of their output, and China alone accounts for 24 % of global candle exports ⁽¹⁰³⁾.

(341) In light of these factors, the Commission considers that China's substantial spare capacity, combined with its limited domestic demand and export-oriented production model, poses a significant risk to the Union industry.

6.3.1.2. Competition for raw materials

(342) In China, access to raw materials used in candle production, particularly paraffin wax, is significantly influenced by domestic pricing policies and export-related distortions. Chinese candle producers benefit from access to paraffin wax at prices below international market levels, giving them a substantial cost advantage ⁽¹⁰⁴⁾.

(343) In contrast, Union producers purchase paraffin wax on the open market, where prices are subject to global supply and demand dynamics, energy costs, and geopolitical factors. Unlike their Chinese counterparts, Union producers do not benefit from domestic subsidies, preferential pricing, or export restrictions that could protect them from price volatility. As a result, they face higher and more unpredictable costs, which directly impact their competitiveness.

(344) Moreover, the export-related distortions in China, further exacerbate the situation. These distortive raw material measures allow Chinese producers to access abundant and cheaper raw materials, while limiting availability and raising prices for non-Chinese producers. This artificially lowers production costs for Chinese candle manufacturers and creates an uneven playing field. The resulting cost asymmetry undermines the economic sustainability of the Union candle industry.

⁽¹⁰²⁾ <https://uniway-sourcing.com/china/candle-manufacturers-suppliers-in-china/>

⁽¹⁰³⁾ <https://oec.world/en/profile/hs/candles>.

⁽¹⁰⁴⁾ This is supported by evidence comparing the prices paid by the Complainant for paraffin imported from China (Annex 5.8 of the Complaint) with the prevailing market prices within China (Annex 5.7 of the Complaint), which clearly show a disparity in favour of Chinese producers.

6.3.1.3. Effect on supply chains for Union companies

- (345) The imposition of anti-dumping duties on Chinese candle imports into the Union is expected to have a limited impact on the supply chain. The Union industry has sufficient production capacity to meet domestic demand, ensuring a stable supply even if imports from China are reduced. Furthermore, other third countries can still export to the Union at fair, undistorted prices.
- (346) The ability of the Union industry to meet the demand is based on its existing production capacities, which are currently underutilised due to the effects of dumped imports. Union producers are currently operating at 45 % of their production capacity and are able to increase their output to fill any potential supply gaps. This ensures that the imposition of duties will not result in shortages or disruption for consumers.
- (347) While anti-dumping duties may lead to a moderate increase in candle prices, this impact, as per the complainant, is expected to be absorbed by large retailers, who act as the primary price setters in the consumer market.
- (348) The lack of cooperation of the retailers suggests that they do not anticipate substantial disruptions resulting from the imposition of duties.
- (349) In light of these factors, applying anti-dumping duties at the full level, without applying the lesser duty rule, is justified and proportionate. This will help to restore fair competition, support the viability of the Union candle industry and ensure a stable and resilient supply chain, while minimising the impact on downstream retailers and consumers.

6.3.2. Conclusion on Union interest under Article 7(2b) of the basic Regulation

- (350) Having assessed all pertinent information to this investigation, the Commission concluded that it is in the Union interest to determine the amount of provisional duties in accordance with Article 7(2a) of the basic Regulation.

6.4. Conclusion on the level of measures

- (351) Following the above assessment, provisional anti-dumping duties should be set as below in accordance with Article 7(2a) of the basic Regulation:

Company	Provisional dumping margin (%)
Ningbo Kwung's Home Interior & Gift Co	10,6
Ningbo Kwung's Wisdom Art & Design Co., Ltd. Anhui Fenyuan Aromatic Technology Co., Ltd.	70,9
Qingdao Kingking Applied Chemistry Co Ltd,	57,5
Other cooperating companies	55,5
All other imports originating in country concerned	70,9

7. UNION INTEREST

- (352) The Commission examined whether it could clearly conclude that it was not in the Union interest to adopt measures in this case, despite the determination of injurious dumping, in accordance with Article 21 of the basic Regulation. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers, retailers, users and consumers.

7.1. Interest of the Union industry

- (353) The Union industry comprises more than 80 companies, geographically distributed across Europe, employing approximately 9 597 workers directly. A big part of these Union producers expressed support for the complaint, and none opposed the initiation of the investigation.

- (354) Current levels of profitability are unsustainable. The imposition of measures is expected to allow the Union industry to recover parts of the lost market share, and to set prices at levels that allow to reach a sustainable level of profitability.
- (355) The absence of measures is likely to have a significant negative effect on the Union industry in terms of further price suppression and a further reduction of sales, thus translating into losses and likely closure of production facilities, dismissals and ultimately, the shutdown of entire businesses.
- (356) The Commission therefore concluded that the imposition of provisional measures is in the interest of the Union industry.

7.2. Interest of unrelated importers and traders, users, consumers or suppliers

- (357) No unrelated importers or users participated in the sampling process or submitted responses to the questionnaire. As such, no data concerning importers or users were provided and no specific concerns were raised that could suggest significant adverse effects from the possible imposition of measures.
- (358) In the absence of cooperation, the likely effect of measures on users was assessed on the basis of reasonable assumptions. Candles generally represent a small cost item within the decorative segment of traders and retailers, who typically manage a wide range of products. For consumers, candles are also considered a minor consumable expense. As such, any potential price increase resulting from the imposition of anti-dumping duties is unlikely to have a significant impact on the operational costs of businesses. The relatively low unit cost of candles, compared to the overall product portfolio of traders and retailers, suggests that such increase would have a negligible effect on their economic activities. Similarly, for consumers, the cost increase is not expected to alter purchasing behaviour significantly.
- (359) In view of the above, the imposition of measures is not expected to harm users, trader or consumers. It is therefore concluded that the imposition of anti-dumping measures is not contrary to the interest of importers, retailers, users and consumers.

7.3. Conclusion on Union interest

- (360) On the basis of the above, the Commission concluded that there were no compelling reasons that it was not in the Union interest to impose measures on imports of product concerned originating in country concerned at this stage of the investigation.

8. PROVISIONAL ANTI-DUMPING MEASURES

- (361) On the basis of the conclusions reached by the Commission on dumping, injury, causation, level of measures and Union interest, provisional measures should be imposed to prevent further injury being caused to the Union industry by the dumped imports.
- (362) Provisional anti-dumping measures should be imposed on imports of candles, tapers and the like originating in the People's Republic of China, in accordance Article 7(2a) of the basic Regulation. The Commission concluded in section 6.4 that the appropriate level to remove injury should be the dumping margin.
- (363) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Country	Company	Provisional anti-dumping duty (%)
China	Ningbo Kwung's Home Interior & Gift Co	10,6
China	Ningbo Kwung's Wisdom Art & Design Co., Ltd. Anhui Fenyuan Aromatic Technology Co., Ltd.	70,9

Country	Company	Provisional anti-dumping duty (%)
China	Qingdao Kingking Applied Chemistry Co Ltd,	57,5
China	Other cooperating companies	55,5
China	All other imports originating in country concerned	70,9

(364) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to these companies. These duty rates are exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entities. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other imports originating in country concerned'. They should not be subject to any of the individual anti-dumping duty rates.

(365) To minimise the risks of circumvention due to the difference in duty rates, special measures are needed to ensure the application of the individual anti-dumping duties. The application of individual anti-dumping duties is only applicable upon presentation of a valid commercial invoice to the customs authorities of the Member States. The invoice must conform to the requirements set out in Article 1(3) of this regulation. Until such invoice is presented, imports should be subject to the anti-dumping duty applicable to 'all other imports originating in country concerned'.

(366) While presentation of this invoice is necessary for the customs authorities of the Member States to apply the individual rates of anti-dumping duty to imports, it is not the only element to be taken into account by the customs authorities. Indeed, even if presented with an invoice meeting all the requirements set out in Article 1(3) of this regulation, the customs authorities of Member States must carry out their usual checks and may, like in all other cases, require additional documents (shipping documents, etc.) for the purpose of verifying the accuracy of the particulars contained in the declaration and ensure that the subsequent application of the lower rate of duty is justified, in compliance with customs law.

(367) Should the exports by one of the companies benefiting from lower individual duty rates increase significantly in volume after the imposition of the measures concerned, a percentage may be introduced, depending on the case, although not advisable such an increase in volume could be considered as constituting in itself a change in the pattern of trade due to the imposition of measures within the meaning of Article 13(1) of the basic Regulation. In such circumstances and provided the conditions are met, an anti-circumvention investigation may be initiated. This investigation may, inter alia, examine the need for the removal of individual duty rate(s) and the consequent imposition of a country-wide duty.

9. REGISTRATION

(368) As mentioned in recital 3, the Commission made imports of the product concerned subject to registration. Registration took place with a view to possibly collecting duties retroactively under Article 10(4) of the basic Regulation.

(369) In view of the findings at provisional stage, the registration of imports should be discontinued

(370) No decision on a possible retroactive application of anti-dumping measures has been taken/can be taken at this stage of the proceeding.

10. INFORMATION AT PROVISIONAL STAGE

- (371) In accordance with Article 19a of the basic Regulation, the Commission informed interested parties about the planned imposition of provisional duties. This information was also made available to the general public via DG TRADE's website. Interested parties were given three working days to provide comments on the accuracy of the calculations specifically disclosed to them.
- (372) Comments were received from Qingdao Kingking and Ningbo Kwung's Wisdom Art & Design Co. The comments mainly concerned other issues than the accuracy of the calculations, such as sources of benchmarks, profit margins, SG&A and injury margin calculation and will be therefore considered in the definitive stage of the investigation.
- (373) Ningbo Kwung's Wisdom Art & Design Co. submitted in addition two comments concerning the accuracy of the calculations. It identified an error in the packing expenses reported in the export sales listing and an incorrect conversion factor applied to the paper carton price. Both errors were corrected, and the dumping margin for the company was adjusted accordingly.
- (374) Company 5 reported an error in its IRI calculations. The Commission verified the calculation and confirmed that this error does not have an impact on the level of the injury margin of the company.

11. FINAL PROVISIONS

- (375) In the interests of sound administration, the Commission will invite the interested parties to submit written comments and/or to request a hearing with the Commission and/or the Hearing Officer in trade proceedings within a fixed deadline.
- (376) The findings concerning the imposition of provisional duties are provisional and may be amended at the definitive stage of the investigation,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is imposed on imports of candles, tapers and the like, currently falling under CN code 3406 00 00 and originating in the People's Republic of China.
2. The rates of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 and produced by the companies listed below shall be as follows:

Country of origin	Company	Provisional anti-dumping duty (%)	TARIC additional code
China	Ningbo Kwung's Home Interior & Gift Co., Ltd.	10,6	89UK
China	Ningbo Kwung's Wisdom Art & Design Co., Ltd. Anhui Fenyuan Aromatic Technology Co., Ltd.	70,9	89UI
China	Qingdao Kingking Applied Chemistry Co., Ltd.	57,5	89UJ
China	Other cooperating companies listed in Annex	55,5	See Annex
China	All other imports originating in country concerned	70,9	8999

3. The application of the individual duty rates specified for the companies mentioned in paragraph 2 shall be conditional upon presentation to the Member States' customs authorities of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: 'I, the undersigned, certify that the (volume in unit we are using) of (product concerned) sold for export to the European Union covered by this invoice was manufactured by (company name and address) (TARIC additional code) in country concerned. I declare that the information provided in this invoice is complete and correct.' Until such invoice is presented, the duty applicable to all other imports originating in country concerned shall apply.
4. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security deposit equivalent to the amount of the provisional duty.
5. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

Article 2

1. Interested parties shall submit their written comments on this regulation to the Commission within 15 calendar days of the date of entry into force of this Regulation.
2. Interested parties wishing to request a hearing with the Commission shall do so within 5 calendar days of the date of entry into force of this Regulation.
3. Interested parties wishing to request a hearing with the Hearing Officer in trade proceedings are invited to do so within 5 calendar days of the date of entry into force of this Regulation. The Hearing Officer may examine requests submitted outside this time limit and may decide whether to accept to such requests if appropriate.

Article 3

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Implementing Regulation (EU) 2025/511.
2. Data collected regarding products which entered the European Union for consumption not more than 90 days prior to the date of the entry into force of this Regulation shall be kept until the entry into force of possible definitive measures, or the termination of this proceeding.

Article 4

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 13 August 2025.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

People's republic of China's cooperating exporting producers not sampled

Country	Name	TARIC additional code
People's Republic of China	Aromasong Home Products Co.,Ltd.	89UL
People's Republic of China	BEIJING CANDLEMAN CANDLE CO., LTD.	89UM
People's Republic of China	BOYE HONGMING CANDLE INDUSTRY CO., LTD.	89UN
People's Republic of China	Changlexian Yuhuiguorui arts and crafts Co.,Ltd.	89UO
People's Republic of China	ChangZhou JinTan Man Tin Fang Gifts Co.,Ltd	89UP
People's Republic of China	Changzhou Jintan Xingta Arts and Crafts Co., Ltd.	89UQ
People's Republic of China	Colourful Home Decoration(NanTong) Co.,Ltd.	89UR
People's Republic of China	DALIAN ALL BRIGHT ARTS AND CRAFTS CO.,LTD	89US
People's Republic of China	Dalian Bolaite Candle Industry Co., Ltd	89UT
People's Republic of China	Dalian Talent Gift Co., Ltd.	89UU
People's Republic of China	DANDONG ETON ART CANDLE CO.,LTD	89UV
People's Republic of China	DANDONG HONGDE CANDLE INDUSTRIAL CO., LTD.	89UW
People's Republic of China	Dandong Jiaxin Arts & Crafts Co., Ltd.	89UX
People's Republic of China	Dandong Joy Gift And Craft Co., Ltd.	89UY
People's Republic of China	Dehua Baililian Candle Craft Products Factory	89UZ
People's Republic of China	Donggang tianbao wax Industry Co., Ltd.	89VA
People's Republic of China	FUSHUN PINGTIAN WAX PRODUCTS CO.,LTD.	89VB
People's Republic of China	Fushun Shuanghui Petrochemical Co., Ltd.	89VC
People's Republic of China	FUTURE INTERNATIONAL (GIFT) CO., LTD.	89VD
People's Republic of China	Greenbay Craft (Shanghai) Co., Ltd.	89VE
People's Republic of China	Hangzhou Aroma Huicheng Technology Co.,Ltd.	89VF
People's Republic of China	HANGZHOU NINFE HOME CO., LTD.	89VG
People's Republic of China	Hebei Huaming Laye Co.Ltd	89VH
People's Republic of China	Hebei Ruitou Imp&Exp Co.,Ltd	89VI
People's Republic of China	Hefei Weisi Arts & Crafts Co., Ltd.	89VJ
People's Republic of China	Jiangxi Tongda Candle Co.,Ltd	89VK
People's Republic of China	Jiashan Jiahua Candle Arts & crafts Co. Ltd	89VL
People's Republic of China	JIAXING FEIYA HANDICRAFT ARTICLE CO.,LTD	89VM

Country	Name	TARIC additional code
People's Republic of China	Jinan Jinming Tool Manufacturing Co. Ltd	89VN
People's Republic of China	Jinhua Jushi Technology Co.,Ltd	89VO
People's Republic of China	LITBRIGHT CANDLE (SHIJIAZHUANG) CO., LTD	89VP
People's Republic of China	M&SENSE (SUZHOU) ARTS & CRAFTS CO., LTD.	89VQ
People's Republic of China	M.X. Candles and Gifts (Taicang) Co., Ltd.	89VR
People's Republic of China	MINQUAN VALUEEVOLUTION ARTS & CRAFTS CO., LTD.	89VS
People's Republic of China	Ningbo Haishu Haihong Crafts Factory	89VT
People's Republic of China	Ningbo Junee Gifts Designers and Manufacturers Co., Ltd.	89VU
People's Republic of China	Ninghai Grand Houseware Co.,Ltd.	89VV
People's Republic of China	Ninghai Kaihui Houseware Co., Ltd	89VW
People's Republic of China	QIDONG SHENLE ART&CRAFT CO.,LTD	89VX
People's Republic of China	Qingdao Allite RadianceCandle Co, Ltd	89VY
People's Republic of China	Qingdao Golden Sanda Craftworks co., Ltd	89VZ
People's Republic of China	Qingdao Kinglight Craft Co.,Ltd	89WA
People's Republic of China	Qingdao Lishengyuan Industry Products Co., Ltd	89WB
People's Republic of China	Qingdao Locke Art and Craft Co.,Ltd	89WC
People's Republic of China	Qingdao Shuailei Arts&crafts Co.,Ltd	89WD
People's Republic of China	QINGDAO SILVARTS CO., LTD.	89WF
People's Republic of China	Qingdao Xinkangmeiyuan Wax Industry Co.,Ltd	89WE
People's Republic of China	Qingyun Super Light Candle Technology Co., Ltd.	89WG
People's Republic of China	SHAANXI JIALONG HOUSEWARE CO., LTD.	89WH
People's Republic of China	Shanghai Aqua Gifts Manufacture Co.,LTD	89WI
People's Republic of China	Shanghai Dream Candle Factory	89WJ
People's Republic of China	Shanghai Sizu Biotechnology Co., Ltd.	89WK
People's Republic of China	SHAOXING HIKING CANDLE GIFTS CO.,LTD	89WL
People's Republic of China	Shijiazhuang Tabo Candles Sales Co.,Ltd	89XD
People's Republic of China	Shaoxing Shangyu Ruisheng Wax Industry Co., Ltd	89WM
People's Republic of China	shenyang shengjie candle co., ltd	89WN
People's Republic of China	Taizhou Bomall housewear Co., LTD	89WO
People's Republic of China	Taizhou Huangyan King Well Art & Craft Co. Ltd.	89WP
People's Republic of China	TIANJIN HUATAI CANDLE CO., LTD	89WQ
People's Republic of China	TIANJIN PERMANENT HOME INTERNATIONAL TRADE CO.,LTD.	89WR

Country	Name	TARIC additional code
People's Republic of China	TongLu ChunJiang Candle Products CO., LTD.	89WS
People's Republic of China	Tongxiang Apollo Craftwork Co.,Ltd.	89WT
People's Republic of China	Wuhe Ranran Arts & Crafts Co., Ltd.	89WU
People's Republic of China	XUANCHENG ZHIWEN HANDICRAFT CO., LTD.	89WV
People's Republic of China	YANGZHOU JINGTENG ART&CRAFT CO.,LTD	89WW
People's Republic of China	Yiwu Jialuofu Handicraft Co., Ltd.	89WX
People's Republic of China	Yixinyuan (Hubei) Household Products Co., Ltd	89WY
People's Republic of China	Zhejiang Neo Home Decoration Co., LTD	89WZ
People's Republic of China	Zhejiang Talent Fareast Home Gifts Co., Ltd	89XA
People's Republic of China	Zhongshan South Star Arts & Crafts Manufacturing Co., Ltd.	89XB
People's Republic of China	Zibo Jialong Wax Industry Co.,Ltd	89XC