

Anti-dumping: What evidence does the Commission have of state interference in the leather footwear sector in China and Vietnam? – Brussels, 23 February 2006

For legal reasons the names of the companies in question and their location cannot be made public.

A few examples:

Clear evidence of state intervention

- In one company the top management position is occupied by a government official, also member of the Communist party. This Director is appointed or dismissed from the government and all management decisions have to be approved by government authorities or be in line with policies defined by government circulars and decrees. The role of the state in providing guidelines to this company is explicitly recognised in the company's regulation on operation and organisation.

State intervention through tax breaks or tax incentives

- Several companies were granted significant income tax reductions which are directly linked to their export performance. Since these companies have to export most of their production to benefit from these incentives, those latter are equivalent to export subsidies.
- Several companies benefited from tax breaks which improve their financial situation and grant them cost advantages.

Evidence of cost distortion

- One company benefited from a cost reduction (7 year exemption of land rental fee) based on its export performance.
- One company received interest free short term loans from the state. There was no booking in the accounts of these loans. The investigation established that this short term borrowing was in fact direct remittance of money from the Government with zero interest rates and no maturity period.
- One company was granted a tax reduction only on the basis of an "oral gentlemen's agreement" with the local authorities.
- One company booked costs which had never been paid.

Hidden cost distortions

Blatant shortcomings to the basic accounting principles provided the companies with more than probable costs advantages compared to companies which strictly follow the international accounting standards:

- Some companies had no audited accounts.

- Numerous problems were found in the accounts of several companies. For example, one company had audited accounts but the auditors stated themselves that they were unable to give an opinion on the cash, the inventory and the fixed assets accounts which all together represented more than 80% of the assets/liabilities.
- One company was unable to provide certain bank statements during the verification