

# News

EU, Competition & Trade

February 2009



## Chinese Cabinet Boosts Export Tax Rebates on Textiles

China's State Council (Cabinet) raises the export tax rebate on textiles and garment from 14 percent to 15 percent, in an attempt to bolster sagging exports and support its vast manufacturing industry.

This is the third increase for the textiles and garments export tax rebate since last August, as central government leaders look for ways to shore up the manufacturing industry. The previous increases took place in August 2008, when the rebate increased from 11 percent to 13 percent, and in November 2008, with an increase from 13 percent to 14 percent.

An executive meeting of the Cabinet announced the policy change on 4 February, saying that the move would reduce exporters' costs and support the textile industry. This policy became effective as of 1 February 2009, as confirmed by the Ministry of Finance.

Under this plan, the Chinese government would allocate funds for companies that produce textiles or fibres, or operate in the textile printing and dyeing sector, to upgrade technology and develop domestic brands.

Government departments were told to provide financial support and insurance services to small and medium-sized textile plants. According to China's official news agency, Xinhua, "The

government [will] also announce steps intended to phase out obsolete capacity, eliminate energy-intensive, polluting equipment and technology, and encourage textile and garment makers to relocate from south-eastern parts of China to central and western areas".

According to the plan, the government will take a proactive attitude to enlarge domestic consumption, develop new products, expand rural markets and promote the use of textile products in industries, while diversifying export destinations to stabilize China's share in the international market.

These subsidies by China to its textile industry will no doubt be viewed suspiciously by China's trade partners, including the EU. European textile producers were meeting Commission trade officials this week, and are reported to be pressing for trade defence action against alleged Chinese export subsidies on branded goods at the WTO. The above new batch of measures will no doubt reinforce their case.

Also, although the EU has never initiated countervailing duty investigations against China, it cannot be excluded that it could now consider having recourse to this unilateral trade defence instrument, aimed at countervailing the adverse effects of subsidisation.

For more information on the developments related to Chinese textile export policy and for any queries on Trade matters please do not hesitate to contact Hammonds' trade team.

### FURTHER INFORMATION

For more information relating to this article, please contact:

**Yves Melin**

Senior Associate, Brussels  
T: +32 2 627 76 20  
E: yves.melin@hammonds.com

**Yongqing Bao**

International Trade Counsel, Brussels  
T: +32 2 627 76 28  
E: yongqing.bao@hammonds.com

**Yan Luo**

International Trade Counsel, Brussels  
T: + 32 2 627 76 45  
E: yan.luo@hammonds.com

# Hammonds

## Berlin

Hammonds LLP  
Georgenstraße 22  
10117 Berlin Germany  
Telephone +49 30 7261 68 000  
Fax +49 30 7261 68 001

## Leeds

Hammonds LLP  
2 Park Lane  
Leeds LS3 1ES  
Telephone +44 (0)113 284 7000  
Fax +44 (0)113 284 7001

## Manchester

Hammonds LLP  
Trinity Court  
16 John Dalton Street  
Manchester M60 8HS  
Telephone +44 (0)161 830 5000  
Fax +44 (0)161 830 5001

## Birmingham

Hammonds LLP  
Rutland House  
148 Edmund Street  
Birmingham B3 2JR  
Telephone +44 (0)121 222 3000  
Fax +44 (0)121 222 3001

## London

Hammonds LLP  
7 Devonshire Square  
London EC2M 4YH  
Telephone +44 (0)20 7655 1000  
Fax +44 (0)20 7655 1001

## Munich

Hammonds LLP  
Karl-Scharnagl-Ring 7  
80539 Munich Germany  
Telephone +49 89 207 02 8300  
Fax +49 89 207 02 8301

## Brussels

Hammonds LLP  
Avenue Louise 250  
Box 65  
1050 Brussels Belgium  
Telephone +32 2 627 7676  
Fax +32 2 627 7686

## Madrid

Hammonds LLP  
Plaza Marques de Salamanca 3-4  
28006 Madrid Spain  
Telephone +34 91 426 4840  
Fax +34 91 435 9815

## Paris\*

Hammonds Hausmann  
4 Avenue Velasquez  
75008 Paris France  
Telephone +33 1 53 83 74 00  
Fax +33 1 53 83 74 01

## Hong Kong\*

Hammonds  
Suites 3201-05, 3217-20  
32nd Floor Jardine House  
1 Connaught Place  
Central Hong Kong  
Telephone +852 2523 1819  
Fax +852 2868 0069

## Beijing+

Hammonds Beijing  
Representative Office Hong Kong  
Suite 1419 - 20  
South Tower Beijing Kerry Centre  
1 Guang Hua Road  
Chao Yang District  
Beijing 100020 China  
Telephone +86 108529 6330  
Fax +86 10 85296116

\* Affiliated undertakings of Hammonds LLP + Representative Office

Hammonds LLP and its affiliated undertakings comprise Hammonds LLP, Hammonds Hausmann SELARL and Hammonds, a Hong Kong general partnership, each of which are separate and distinct entities.

Hammonds LLP is a limited liability partnership registered in England and Wales with registered number OC 335584 and is regulated by the Solicitors Regulation Authority of England and Wales. A list of the members of Hammonds LLP and their professional qualifications is open to inspection at the registered office of Hammonds LLP, 7 Devonshire Square, London EC2M 4YH. Use of the word "Partner" by Hammonds LLP refers to a member of Hammonds LLP or an employee or consultant with equivalent standing and qualification.