



OTTAWA, February 3, 2022

# STATEMENT OF REASONS

Concerning the final determinations with respect to the dumping and subsidizing of

CONTAINER CHASSIS

ORIGINATING IN OR EXPORTED FROM CHINA

## DECISION

Pursuant to subsection 41(1)(b) of the *Special Import Measures Act*, the Canada Border Services Agency made final determinations on January 19, 2022 respecting the dumping and subsidizing of certain container chassis originating in or exported from China.

Cet *Énoncé des motifs* est également disponible en français.  
This *Statement of Reasons* is also available in French.

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## SUMMARY OF EVENTS

[1] On April 20, 2021, the Canada Border Services Agency (CBSA) received a written complaint from Max-Atlas Equipment International Inc. (Max Atlas) (hereinafter, the complainant), alleging that imports of certain container chassis from the People's Republic of China (China) are being dumped and subsidized. The complainant alleged that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[2] On May 11, 2021, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the Government of China (GOC) that a properly documented complaint had been received. The GOC was provided with the non-confidential version of the subsidy complaint and was invited for consultations prior to the initiation of the subsidy investigation, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*. A request for consultations was not received by the CBSA.

[3] The complainant provided evidence to support the allegations that container chassis from China have been dumped and subsidized. The evidence also disclosed a reasonable indication that the dumping and subsidizing have caused injury and/or are threatening to cause injury to the Canadian industry producing like goods.

[4] On June 10, 2021, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping and subsidizing of container chassis from China.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the dumping and subsidizing of the above-mentioned goods have caused injury or are threatening to cause injury to the Canadian industry producing the like goods.

[6] On August 9, 2021, pursuant to subsection 37.1(1) of SIMA, the CITT made a preliminary determination that there is evidence that discloses a reasonable indication that the dumping and subsidizing of container chassis from China have caused injury to the domestic industry.

[7] On September 1, 2021, in order to help alleviate the pressures brought on by the COVID-19 pandemic to interested parties, the CBSA extended the 90-day period for making the preliminary determinations or terminating all or part of the investigations to 135 days, pursuant to subsection 39(1) of SIMA.

[8] On October 21, 2021, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing of container chassis originating in or exported from China.

[9] On the same date, pursuant to subsection 8(1) of SIMA, provisional duty was imposed on imports of dumped and subsidized goods that are of the same description as any goods to which the preliminary determinations apply, and that are released during the period commencing on the day the preliminary determinations were made and ending on the earlier of the day on which the CBSA causes the investigations in respect of any goods to be terminated pursuant to subsection 41(1) of SIMA or the day the CITT makes an order or finding pursuant to subsection 43(1) of SIMA.

[10] Based on the available evidence, the CBSA is satisfied that container chassis from China have been dumped and subsidized. Therefore, on January 19, 2022, the CBSA made final determinations of dumping and subsidizing pursuant to paragraph 41(1)(b) of SIMA in respect of those goods.

[11] The CITT's inquiry into the question of injury to the Canadian industry is continuing, and it will issue its decision by February 18, 2022. Provisional duty will continue to be imposed on the subject goods from China until the CITT renders its decision.

### **PERIOD OF INVESTIGATION**

[12] The Dumping Period of Investigation (POI) is May 1, 2020 to April 30, 2021.

[13] The Subsidy POI is January 1, 2020 to April 30, 2021.

### **PROFITABILITY ANALYSIS PERIOD**

[14] The Profitability Analysis Period (PAP) is May 1, 2020 to April 30, 2021.

### **INTERESTED PARTIES**

#### **Complainant**

[15] The name and address of the complainant is as follows:

Max-Atlas Equipment International Inc.  
371 ch. du Grand Bernier N  
Saint-Jean-sur-Richelieu, QC J3B 4S2

[16] Max-Atlas is a manufacturer of container chassis and subassemblies used in a wide variety of industries including, but not limited to, the transportation, waste management and mobile energy (generators) industries, as well as the oil and gas industry for the transportation of frac sand in fracking operations. Max-Atlas also manufactures and sells parts and custom designed chassis.<sup>1</sup>

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<sup>1</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraph 13

## **Other Producers**

[17] The other known manufacturers of like goods in Canada are:

<b>Company Name</b>	<b>Address</b>
Raja Trailer	9108 River Road Delta, BC, V4G 1B5
Innovative Trailer Design	161 The West Mall Toronto, ON, M9C 4V8
Di-Mond	195 Constellation Drive Stoney Creek, ON, L8E 0J5

[18] Di-Mond<sup>2</sup> and Innovative Trailer Design<sup>3</sup> both support the complaint. Raja Trailer expressed a neutral opinion of the complaint.<sup>4</sup>

## **Trade Unions**

[19] The complainant identified the Fédération démocratique de la métallurgie, des mines et des produits chimiques (FEDEM), as the union of which Max-Atlas' employees are members. The complainant did not identify any additional trade unions.<sup>5</sup>

## **Importers**

[20] At the initiation of the investigations, the CBSA identified 86 potential importers of the subject goods based on both information provided by the complainant and CBSA import entry documentation. All of the potential importers were asked to respond to the CBSA's Importer Request for Information (RFI).<sup>6</sup> The CBSA received two responses to the Importer RFI.

## **Exporters**

[21] At the initiation of the investigations, the CBSA identified 22 potential exporters/producers of the subject goods originating in or exported from China from CBSA import documentation and from information submitted in the complaint. All of the potential exporters/producers were asked to respond to the CBSA's Dumping RFI, Subsidy RFI and Section 20 RFI.<sup>7</sup>

[22] In total, only one exporter responded to the RFIs, Dongguan CIMC Vehicle Co., Ltd. (DCVC), which is a subsidiary of China International Marine Containers Ltd. (CIMC).

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<sup>2</sup> Exhibit 34 (NC) – RFI Response Di-Mond

<sup>3</sup> Exhibit 30 (NC) – RFI Response ITD

<sup>4</sup> Exhibit 32 (NC) – RFI Response Raja Trailer

<sup>5</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraphs 89-90

<sup>6</sup> Exhibit 24 (NC) – Importer RFI

<sup>7</sup> Exhibit 23 (NC) – Exporter RFIs - Subsidy, Dumping and Section 20

[23] CIMC is a world leading supplier engaged in the manufacture of transportation equipment and the provision of logistics and energy solutions. CIMC also manufactures and sells a variety of shipping containers, including dry cargo containers, reefers, and other specialty containers. CIMC Vehicles, one of the subsidiaries of CIMC and the largest producer of chassis in the world, has 22 manufacturing plants and 10 assembly plants globally, producing a variety of semi-trailers and special truck bodies for transportation vehicles and shipping containers.

[24] The CBSA also received responses to the RFI from other related companies within CIMC who did not export to Canada, but were involved as input suppliers, as well as one vendor, CIE Manufacturing<sup>8</sup>, located in the United States (US).

## **Government**

[25] At the initiation of the investigations, the GOC was sent the CBSA's Government Subsidy RFI requesting information concerning the alleged subsidy programs available to producers/exporters of subject goods. The GOC was also sent a Section 20 RFI.<sup>9</sup> The GOC did not respond to either the Government Subsidy RFI or Section 20 RFI.

[26] For the purposes of these investigations, GOC refers to all levels of government, i.e., federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial, singular, collective, elected or appointed. It also includes any person, agency, enterprise, or institution acting for, on behalf of, or under the authority of, or under the authority of any law passed by, the government of that country or that provincial, state or municipal or other local or regional government.

## **PRODUCT INFORMATION**

### **Definition**

[27] For the purpose of these investigations, subject goods are defined as:

*Container chassis and container chassis frames, whether finished or unfinished, assembled or unassembled, regardless of the number of axles, for the carriage of containers, or other payloads (including self-supporting payloads) for road, marine roll-on/roll-off and/or rail transport, and certain subassemblies of container chassis originating in or exported from the People's Republic of China.*

*Excluding:*

- i) dry van trailers, meaning trailers with a wholly enclosed cargo space comprised of fixed sides, nose, floor and roof, with articulated panels (doors) across the rear and occasionally at selected places on the sides, with the cargo space being permanently incorporated in the trailer itself;*

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<sup>8</sup> CIE is related to the cooperative exporter, DCVC

<sup>9</sup> Exhibit 28 (NC) – Foreign Government Subsidy RFI & Section 20 RFI

- ii) *refrigerated van trailers, meaning trailers with a wholly enclosed cargo space comprised of fixed sides, nose, floor and roof, with articulated panels (doors) across the rear and occasionally at selected places on the sides, with the cargo space being permanently incorporated in the trailer and being insulated, possessing specific thermal properties intended for use with self-contained refrigeration systems; and*
- iii) *flatbed or platform trailers, meaning trailers that consist of load-carrying main frames and a solid, flat or stepped loading deck or floor permanently incorporated with and supported by frame rails and cross members.*

*For greater certainty, the subject goods include the following complete or substantially complete major subassemblies, when imported, purchased or supplied with, or for assembly with, subject container chassis frames:*

- i) *running gear assemblies for connection to the container chassis frame, whether fixed in nature or capable of sliding fore and aft or lifting up and lowering down, which may include suspension(s), wheel end components, slack adjusters, axles, brake chambers, locking pins, tires and wheels;*
- ii) *landing gear assemblies, for connection to the container chassis frame, capable of supporting the container chassis when it is not engaged to a tractor; and*
- iii) *connection assemblies that connect to the container chassis frame or a section of the container chassis frame, such as B-trains and A-trains, capable of connecting a container chassis to a converter dolly or another container chassis.*

#### **Additional Product Information**<sup>10</sup>

[28] Chassis are typically, but are not limited to, rectangular framed trailers with a suspension and axle system, wheels and tires, brakes, a lighting and electrical system, a coupling for towing behind a truck tractor, and a locking system or systems to secure the shipping container or containers to the chassis using twistlocks, slide pins or similar attachment devices to engage the corner fittings on the container or other payload.

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<sup>10</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraphs 22-30

[29] These chassis are typically used in the transportation of intermodal cargo containers and are skeletal rectangular framed trailers.<sup>11</sup> The rectangular frame comprises steel with a suspension and axle system, wheels and tires, brakes, a lighting and electrical system, a coupling for towing behind a truck tractor, and a locking system or systems to secure the shipping container or containers attached to the chassis. Chassis are designed to carry containers of various sizes, usually ranging from 20' to 60' in Canada, including the typical container lengths of 20', 40', 45', 53' and 60'. Containers carried on chassis include marine containers which are sometimes referred to as "ISO containers", as they are manufactured to specifications set out by the International Organization for Standardization. Other containers carried by the subject goods include, but are not limited to, domestic containers designed to be carried exclusively over land and not via ocean transport, tank containers for the carriage of liquids or sand, flat racks which are containers without sides, generators for emergency systems and temporary power delivery and waste containers.

[30] Some chassis are built to a single container size and for holding a single container. Others are designed to be extendable chassis, meaning their sliding or adjustable suspension can be extended to allow for longer containers to be carried. Some longer chassis are designed to allow the operator to carry multiple smaller containers, allowing the operator the flexibility of carrying loads for multiple clients simultaneously.

[31] Chassis may be imported into Canada in a fully assembled form, or imported as an unassembled chassis, such as a chassis frame accompanied by the relevant subassemblies, with most or all of the integral items required to assemble a chassis into a finished form. For an unfinished or unassembled chassis to be considered subject goods, the parts for a single chassis do not have to enter Canada at the same time.

[32] The subject container chassis frames are steel skeletal frames forming the main frame of the trailer and typically include: coupler plate assemblies, bolsters consisting of transverse beams with locking or support mechanisms, gooseneck assemblies, drop assemblies, extension frame assemblies with locking mechanisms and/or rear impact guards. These container chassis frames are only used to manufacture a finished container chassis.

[33] For greater certainty, the subject goods include unfinished or unassembled container chassis or container chassis frames, for painting, coating or further assembly with components such as, but not limited to hub and drum assemblies, brake assemblies (either drum or disc), axles, brake chambers, suspensions and suspension components, wheel end components, landing gear legs, spoke or disc wheels, tires, brake control systems, electrical harnesses and lighting systems.

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<sup>11</sup> "Intermodal" means the utilization of more than one transportation mode (e.g. ship, rail, road) to transport cargo shipments from one location to another



[34] The subject goods do not include the individual components of the container chassis or subassemblies when imported as individual components, meaning not as part of an unassembled or unfinished container chassis or as part of a substantially complete subassembly. Such non-subject individual components may include hub and drum assemblies, brake assemblies (either drum or disc), axles, brake chambers, suspensions and suspension components, wheel end components, landing gear legs, spoke or disc wheels, tires, brake control systems, electrical harnesses and lighting systems. Some of these components may also be used in the production of non-subject trailers such as flatbeds, tankers, dumpers, grain hoppers and others.

[35] The processing of the subject goods, such as trimming, cutting, grinding, notching, punching, drilling, painting, coating, staining, finishing, assembly, bolting, welding or any other processing in China or another country does not remove the product from the definition of subject goods. In addition, if unfinished chassis manufactured in China are merely assembled into a completed chassis in a third country, such as the US or Mexico, the chassis remains subject to the scope of these investigations. The inclusion of additional components not identified as comprising the finished or unfinished container chassis does not remove the chassis from the definition of subject goods.

### **Production Process**<sup>12</sup>

[36] The standard production process for chassis primarily involves the fabrication and assembly of welded steel parts.

[37] The chassis frame consists of welded steel parts in three basic subassemblies – the front, or forward beam and front cross-member, assembly, the middle assembly and the rear, or rear cross-member including the rear impact guard, assembly. The chassis frame subassemblies are composed of steel I-beams, fabricated beams from plates and flat bars, box beams, channels and angles that are cut and welded into the shape of the frame.

[38] The completed chassis also includes the running gear assembly, air brake system, and lighting and electrical systems.

[39] The running gear assembly comprises the tires, hub and drum assemblies, axles and suspensions, brake chambers and other components.

[40] Chassis producers use metal inert gas (MIG) welders to weld the various steel components together. The middle, or drop frame assembly, consists of the main longitudinal beams (cross-members) and may include diagonal bracing. Once the steel parts are assembled and coated, the air brake system and electrical components are added to the assembly. The final assembly of the product prior to delivery can be described as follows:

- i) The front/gooseneck assembly, in an orientation with the king pin facing upward, provides for access to attach the landing gear and cross-brace.

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<sup>12</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraphs 31-35

- ii) The mainframe with the operational top surface being inverted for access to the lower portion of the structure provides access to install the axle/wheel/tire portion of the suspension. In the case of a slider-type suspension, this can be done in the upright orientation. Additional wheel/tire combinations are also added to the axles at this stage, although typically a single wheel/tire is installed to each axle spindle with the pairing shipped free.
- iii) The front section and mainframes are then oriented upright and the connection just behind the landing gear is completed. This requires a support at the king pin area of the front section and a support near the forward location of the mainframe, in order to align for fastener placement.
- iv) The rear section, which can be comprised of the rear bolster and the rear impact guard, is secured to the rear portion of the main beam, behind the suspension.
- v) The axle alignment procedure is then performed.
- vi) Air and electrical system connections are completed from section to section.
- vii) A final inspection, including light check, air brake timing tests and roadworthiness inspection is performed.

**Product Use**<sup>13</sup>

[41] Container chassis are typically used in the transportation of intermodal cargo containers and are skeletal rectangular framed trailers.

**Classification of Imports**

[42] The subject goods are normally imported under the following tariff classification number:

8716.39.30.90.

[43] Subject goods may also be imported under the following tariff classification numbers:

8706.00.90.90	8716.39.90.90	8716.40.00.00	8716.80.20.90
8716.90.30.00	8716.90.99.10	8716.90.99.90	

[44] The listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers include non-subject goods. Also, subject goods may fall under tariff classification numbers that are not listed. Refer to the product definition for authoritative details regarding the subject goods.

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<sup>13</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraph 23

## **LIKE GOODS AND CLASS OF GOODS**

[45] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods as goods that are identical in all respects to the other goods, or in the absence of any identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[46] In considering the issue of like goods, the CITT typically looks at a number of factors, including the physical characteristics of the goods (such as composition and appearance), their market characteristics (such as substitutability, pricing, distribution channels and end uses) and whether the domestic goods fulfill the same customer needs as the subject goods.

[47] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that domestically produced container chassis, that are of the same description as subject goods, are like goods to the subject goods. Further, the CBSA is of the opinion that the subject goods and like goods constitute only one class of goods.

[48] In its preliminary injury inquiry for this investigation, the CITT further reviewed the matter of like goods and classes of goods. On August 24, 2021, the CITT issued its preliminary inquiry *Statement of Reasons* for this investigation, indicating that it would “[...] *conduct its analysis on the basis that domestically produced goods meeting the product definition are like goods to the subject goods, and that there is one class of like goods.*”<sup>14</sup>

## **THE CANADIAN INDUSTRY**

[49] The complainant and the supporting producers account for the vast majority of the domestic production of like goods.

## **IMPORTS INTO CANADA**

[50] During the final phase of the investigations, the CBSA refined the volume and value of imports based on information from CBSA import entry documentation and information received from the exporter and importers.

[51] The following table presents the CBSA’s analysis of imports of container chassis for purposes of the final determinations:

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<sup>14</sup> Canadian International Trade Tribunal; Container Chassis Preliminary Determination of Injury - Statement of Reasons (August 24, 2021), PI-2021-002, Paragraph 24

**Imports of Container Chassis into Canada**  
(% of volume)

Country	Dumping POI (May 1, 2020 to April 30, 2021)	Subsidy POI (January 1, 2020 to April 30, 2021)
China	84.7%	82.3%
All Other Countries	15.3%	17.7%
<b>Total Imports</b>	<b>100%</b>	<b>100%</b>

**INVESTIGATION PROCESS**

[52] Regarding the dumping investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of container chassis released into Canada during the POI.

[53] Regarding the section 20 inquiry, information was requested from all known and potential exporters and producers of container chassis in China and from the GOC. The CBSA also sent Surrogate RFIs to all known producers of container chassis in Mexico, Turkey and the US to collect domestic pricing and costing information concerning container chassis to determine normal values under paragraph 20(1)(c) of SIMA. Furthermore, importers were requested to provide information respecting re-sales in Canada of like goods imported from a third country in order to gather information to determine normal values under paragraph 20(1)(d) of SIMA.

[54] Regarding the subsidy investigation, information related to potential actionable subsidies was requested from all known and potential exporters and producers in China. Information was also requested from the GOC concerning financial contributions made to exporters or producers of container chassis released into Canada during the POI. The GOC was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters.

[55] The GOC and the exporters/producers were also notified that failure to submit all required information and documentation, including non-confidential versions, failure to comply with all instructions contained in the RFI, failure to permit verification of any information or failure to provide documentation requested during the verification visits or the desk audits may result in the margin of dumping, the amount of subsidy and the assessment of anti-dumping and/or countervailing duties on subject goods being based on facts available to the CBSA. Further, they were notified that a determination on the basis of facts available could be less favorable to them than if complete, verifiable information was made available.

[56] The CBSA received a request for an extension to the deadline for the dumping, subsidy and section 20 RFIs from one exporter/producer located in China. The CBSA reviewed the request and granted the extension as the reasons for making the request constituted unforeseen circumstances or unusual burdens.

[57] After reviewing the RFI responses, supplemental RFIs (SRFI) were sent to the respondents who submitted complete submissions in order to clarify information provided in the responses and request additional information, where necessary.

[58] CBSA officers performed verifications by way of Verification Questionnaires for one exporter, DCVC.

[59] As part of the final phase of the investigation, case briefs and reply submissions were submitted by counsel representing the complainant, importers and the exporter. A summary of the representations is provided in **Appendix 2**.

[60] Additional details pertaining to the information submitted by the exporter in response to the RFIs as well as the results of the CBSA's [Dumping](#) and [Subsidy](#) investigations are provided in their respective sections of this document.

## **DUMPING INVESTIGATION**

### **Background of the Section 20 Inquiry**

[61] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.<sup>15</sup>

[62] The provisions of section 20 are applied on a sector basis rather than on the country as a whole. The CBSA proceeds on the presumption that section 20 of SIMA is not applicable to the sector under investigation absent sufficient information to the contrary. The CBSA may form an opinion where there is sufficient information that the conditions set forth in paragraph 20(1)(a) of SIMA exist in the sector under investigation.

[63] The CBSA is required to examine whether the government of that country substantially determines domestic prices. The CBSA is also required to examine the price effect resulting from substantial government determination of domestic prices and whether there is sufficient information on the record for the CBSA to have reason to believe that the resulting domestic prices are not substantially the same as they would be in a competitive market.

[64] The complainant alleged that the conditions described in section 20 prevail in the semi-trailer industry sector, which includes container chassis, in China. That is, the complainant alleged that this industry sector in China does not operate under competitive market conditions and consequently, prices established in the Chinese domestic market for container chassis are not reliable for determining normal values.

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<sup>15</sup> China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*

[65] The complainant provided evidence supporting the claim that the GOC substantially determines prices of semi-trailers sold in China, including a pricing analysis.<sup>16</sup>

[66] For the purposes of this section 20 inquiry, the sector under review is the semi-trailer sector within the transportation vehicle industry in China. The semi-trailer sector is segmented into flatbed, refrigerated, dry van, container chassis and other vehicle type. The subject goods are container chassis and their subassemblies within the semi-trailer industry.

[67] At the initiation of the investigation, the CBSA had sufficient evidence, supplied by the complainant and from its own research and past investigation findings, to support the initiation of a section 20 inquiry to examine the extent of GOC involvement in pricing in the semi-trailer industry sector, which includes container chassis. The information indicated that prices in China in this sector have been influenced by various GOC industrial policies and measures.

[68] Consequently, the CBSA sent Section 20 RFIs to producers and exporters of container chassis in China as well as to the GOC, to obtain information on the extent to which the GOC is involved with the determination of domestic prices in the semi-trailer industry sector, which includes container chassis. A surrogate producer RFI was sent to producers in the surrogate countries: Mexico, Turkey and the United States (US) to gather information to be used for the purposes of determining normal values pursuant to paragraphs 20(1)(c) of SIMA.

[69] The CBSA selected the US and Mexico as surrogate countries as both countries have significant domestic production of container chassis and represent the highest volumes of container chassis exported to Canada. For the purposes of identifying additional countries, the CBSA examined countries with economic or geographic characteristics comparable to China. Of these countries, the CBSA found that Turkey was an appropriate surrogate given the reasonably comparable economic conditions and the existence of a developed container chassis industry.

### ***Summary of Chinese Exporter Responses***

[70] The CBSA received one substantially complete response to the section 20 RFI from DCVC. The response included submissions from DCVC's relevant related suppliers and a related vendor.

### ***Government of China Response***

[71] An RFI was sent to the GOC requesting information for the purposes of the section 20 inquiry. No response was received from the GOC during the course of the investigation.

### ***Surrogate Country Responses***

[72] As part of the section 20 inquiry, Surrogate Producer RFIs were sent to all known producers of container chassis in Mexico, Turkey and the US. However, no producers located in surrogate countries responded to the RFI before the close of the administrative record.

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<sup>16</sup> Exhibit 2 (NC) – Container Chassis Complaint – Paragraphs 124-229

### ***Responses from Importers with Sales in Canada of container chassis from Other Countries***

[73] As part of the section 20 inquiry, RFIs sent to importers requested information on re-sales in Canada of container chassis imported from countries other than China. The CBSA received responses to the importer RFI from two importers. None of the importers provided information on re-sales in Canada of like goods from non-subject countries.

### **Analysis of Section 20 Conditions**

[74] As the GOC did not respond to the section 20 RFI, information with respect to product mix, production volume and market share of semi-trailer manufacturers in the sector is not available. The CBSA analyzed section 20 factors and conditions in China with a focus on CIMC, the largest semi-trailer producer in China.

### **Government Control Analysis**

[75] The following is the CBSA's analysis of the relevant factors that are present in the semi-trailer industry sector in China, which includes container chassis:

- 13<sup>th</sup> Five-Year Plan on National Economic and Social Development;
- 13<sup>th</sup> Five-Year Comprehensive Transportation Service Development Plan;
- Belt and road initiative and Made-in-China 2025 initiative;
- Vehicle Industry Investment Regulations;
- GOC's ownership and control of semi-trailer producers;
- GOC's ownership of suppliers of steel materials and the influence over inputs;
- Existence of non-market conditions in sectors of other semi-trailer assemblies;
- Subsidization of the semi-trailer, steel materials and other inputs; and
- Preferential tax treatment

[76] 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. Two plans and two initiatives discussed below exemplify how individual industrial sectors such as the semi-trailer segment and/or its related projects are being singled out as priorities in line with the government priorities and specific development goals are attributed to industrial upgrade and international expansion etc.

### ***13<sup>th</sup> Five-Year Plan on National Economic and Social Development***

[77] Five-Year Plans are an important economic policy tool within the Chinese socialist market economy. Within each plan, the GOC maps out its strategies for economic development, setting growth targets and launching economic reforms with respect to key industries.

[78] The *13<sup>th</sup> Five-Year Plan on National Economic and Social Development (13<sup>th</sup> Five-Year Plan)*, adopted on March 15, 2016 emphasizes the importance of developing the logistics industry in several chapters for the period of 2016-2020, which covers semi-trailer products during the POI.<sup>17</sup> In particular, the *13<sup>th</sup> Five-Year Plan* sets its goal to reduce enterprise logistics costs by improving logistics organization and management<sup>18</sup>, to strengthen the construction of logistics infrastructure<sup>19</sup>, and to increase the overall efficiency of transportation and logistics<sup>20</sup>, which are closely related to the semi-trailer industry.

[79] The *13<sup>th</sup> Five-Year Plan*, which recognizes the staggering impact of over-capacity on the industrial system, calls for reduction in supply in saturated sectors by merging, upgrading, and restructuring underperforming companies; reworking government subsidies that promote unprofitable manufacturing; and, ultimately, bankruptcy and liquidation of unprofitable companies.<sup>21</sup>

[80] Guided in such a direction, CIMC Vehicles has acquired Yangzhou Tonghua Special Vehicle, Jinan Kogel Special Automobile and China's previous largest trailer maker, Huajun Group, which was listed as the 11<sup>th</sup> largest semi-trailer producer in the world based on the ranking published by Global Trailer in 2015.<sup>22</sup>

[81] On July 4, 2016, the CIMC announced that it has solely taken over Retlan Manufacturing Limited, the United Kingdom's leading semi-trailer manufacturer and owners of SDC Trailer and MDF Engineering, at £91.7 million GBP. The mega-merger was the biggest in the global semi-trailer industry in the last ten years, which allowed CIMC to expand its business into Europe, and retain its position as a semi-trailer world leader.<sup>23</sup>

[82] The *13<sup>th</sup> Five-Year Plan* calls for greater involvement of state-owned enterprises (SOEs) in the development of the Chinese economy. Specifically, chapter 11 of the plan states:

*"We will remain firmly committed to ensuring that SOEs grow stronger, better, and bigger and work to see that a number of such enterprises develop their capacity for innovation and become internationally competitive, thereby injecting greater life into the state-owned sector, helping it exercise a greater level of influence and control over the economy, increasing its resilience against risk, and enabling it to contribute more effectively to accomplishing national strategic objectives."*<sup>24</sup>

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<sup>17</sup> Section 20 Report, Attachment 1 NC – 13<sup>th</sup> Five-Year Plan on National Economic and Social Development

<sup>18</sup> Section 20 Report, Attachment 1 NC – 13<sup>th</sup> Five-Year Plan on National Economic and Social Development, page 63

<sup>19</sup> Section 20 Report, Attachment 1 NC – 13<sup>th</sup> Five-Year Plan on National Economic and Social Development, page 69

<sup>20</sup> Section 20 Report, Attachment 1 NC – 13<sup>th</sup> Five-Year Plan on National Economic and Social Development, page 80

<sup>21</sup> Section 20 Report, Attachment 2 NC – Article: 13<sup>th</sup> Five Year Plan Stresses Economic Restructuring

<sup>22</sup> Section 20 Report, Attachment 4 NC – Global OEM Trailer Ranking 2015

<sup>23</sup> Section 20 Report, Attachment 5 NC – CIMC the Biggest Acquisition in Semi-trailer Industry

<sup>24</sup> Section 20 Report, Attachment 1 NC – 13<sup>th</sup> Five-Year Plan on National Economic and Social Development, Chapter 11



[83] The plan expressly reiterated the GOC's intention to exercise control over its economy through SOEs and CIMC is found to be an SOE as discussed in the section of "GOC's Ownership and Control of Semi-trailer Producers".

### ***13<sup>th</sup> Five-Year Comprehensive Transportation Service Development Plan***

[84] To further specify the policies to achieve the *13<sup>th</sup> Five-Year Plan* goals, the Chinese Ministry of Transport published the *13<sup>th</sup> Five-Year' Comprehensive Transportation Service Development Plan* in July 2016. One of the 11 main goals of this development plan is to build an intensive and efficient freight logistics system.<sup>25</sup> This is to be achieved by promoting the comprehensive development of drop-and-pull transport. The development plan further elaborates:

*Encourage the development of standard van semi-trailers, and promote the improvement of relevant laws, policies and technical standards. Improve the facilities of standardized drop-and-pull transport stations and support the construction of large-scale public zero-load drop-and-pull dedicated stations. Encourage the innovation of "trailer pool" and other emerging logistics services, support the development of long-distance feeder drop-and-pull transportation, encourage the development of trailer leasing, trailer, trailer interchange and other businesses, and improve the related systems and regulations of trailer management.*

[85] Drop-and-pull transport, also known as drop-and-hook or drop-and-pick, is a system of freight transport whereby a truck driver drops off a container ("drop") and picks up another container ("pick" or "hook" or "pull").

[86] The promotion of drop-and-pull transport also serves as a means to further other policy objectives, such as improvement in energy efficiency. In 2017, the State Council issued *State Council on further promoting lower-cost higher-efficiency logistics*, which once again puts emphasis on the promotion of multimodal transportation and drop-and-pull transportation related to the semi-trailer industry<sup>26</sup>.

[87] The wide adoption of semi-trailer/container chassis is crucial for the promotion of drop-and-pull transport. In this regard, it is evident that the Chinese government has implemented a number of specific policies to promote the development and use of semi-trailers/container chassis.

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<sup>25</sup> Exhibit 2 (NC) – Container Chassis Complaint - Appendix 36, pages 481-483

<sup>26</sup> Exhibit 2 (NC) – Container Chassis Complaint - Appendix 36, page 415

## ***Belt and Road Initiative and Made-in-China 2025 Initiative***

[88] China's Belt and Road Initiative (BRI), sometimes referred to as the New Silk Road, is one of the most ambitious global infrastructure and logistics development plans made up of a "belt" of overland corridors and a maritime "road" of shipping lanes. Launched in 2013, the vast collection of global trade network of overland routes, rail and ocean transportation, energy pipelines, and streamlined border crossings stretches from East Asia to Europe and Africa, including 71 countries that account for half the world's population and a quarter of global GDP.

[89] As a manufacturer of containers, semi-trailer and other transportation products that are essential to China's global trade network, CIMC plays a pivotal role in this policy agenda of the GOC. Reported by Supply and Demand Chain Executive on August 17, 2015, CIMC claimed<sup>27</sup>:

*The goal is to have all CIMC divisions supplying the container shipping, trucking, railway and logistics industries with global tracking, monitoring and remote asset management services and equipment. Our immediate target is China's One Belt One Road initiative.*

[90] On May 14, 2017 in the BRI Forum for International Cooperation, Mai Boliang, the CEO and president of CIMC, stated that CIMC is actively involved in the Belt and Road construction and strives to deliver premium and reliable equipment, services and solutions to the countries along the Belt and Road.<sup>28</sup>

[91] On August 27, 2018, the State-owned Assets Supervision and Administration Commission of the State Council (SASACSC) issued a news release about how CIMC (as a SOE in the BRI projects) backs logistics service for BRI.<sup>29</sup>

[92] CIMC has directly benefited from the demand for containers and semi-trailers created by Chinese-led logistics networks BRI. This increase in demand is not limited to only containers, it would also directly benefit CIMC's sales of ancillary products such as subject container chassis and other semi-trailers as overland trade by road transport brings significant new demand for those products.

[93] Overlapping with the BRI is the Made-in-China Initiative 2025 ("MCI 2025")<sup>30</sup>, which was released by the State Council in 2015 and targets ten priority industries for promotion and development, among which are ocean engineering equipment and high-tech shipping and modern rail transport equipment.

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<sup>27</sup> Section 20 Report, Attachment 6 NC – CIMC & BRI -Supply and Demand Chain Executive

<sup>28</sup> Exhibit 2 (NC) – Container Chassis Complaint, Appendix 48

<sup>29</sup> Section 20 Report, Attachment 7 NC – SOEs in the B&RI projects - State-owned Assets Supervision Commission

<sup>30</sup> Section 20 Report, Attachment 8 NC – Made in China 2025 - US Chamber of Commerce, Page 10

[94] As the MCI 2025 supports logistics and transportation companies in China to compete with global players, certain semi-trailers including chassis could benefit from MCI 2025 policies both directly and indirectly. For example, CIMC has benefited from MCI 2025 policies for developing robotics and machine tools with its automated lighthouse plants, which comprehensively realize smart manufacturing with digital modeling and automated production.<sup>31</sup>

[95] The CEO of CIMC Vehicles stated outright in an interview<sup>32</sup> that:

*with the general trend towards 'Made in China 2025, the 25 subsidiaries of CIMC Vehicles will transform into lighthouse plants within the next three to five years based on the schedule.*

[96] Although global economic activities were severely affected by the global outbreak and spread of COVID-19 in 2020, the total revenue of CIMC Vehicles increased 13% compared to 2019 and hit a record high<sup>33</sup> under the circumstance of all these policies and initiatives to encourage transportation producers to remain globally competitive by satisfying domestic demands and serving developed markets.

### ***Vehicle Industry Investment Regulations***

[97] The *Vehicle Industry Investment Regulations*<sup>34</sup>, implemented on January 10, 2019 aim to promote high-quality development of the automotive industry by improving accessibility standards and strengthening regulation for relevant investment projects. Article 28 of the regulations lists requirements for investment projects for trailers, which include various semi-trailers.

[98] These requirements, which impose technical barriers and limit certain new market entrants demonstrate the GOC's intention to promote and direct investment in certain trailer and semi-trailer products and this may have the effect of distorting market prices in the semi-trailer industry.

[99] With regard to the automotive industry, the *Policy on Development of Automotive Industry*<sup>35</sup> provided for a foreign shareholding restriction in auto manufacturing joint ventures, which was still in force in the investigation period. Therefore, semi-trailer producers are subject to measures discriminating in favour of domestic producers.

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<sup>31</sup> Exhibit 2 (NC) – Container Chassis Complaint - page 65

<sup>32</sup> Section 20 Report, Attachment 9 NC – Interview CIMC President - Made in China 2025, page 2

<sup>33</sup> Section 20 Report, Attachment 10 NC – CIMC Vehicles Annual Report 2020, page 12

<sup>34</sup> Section 20 Report, Attachment 28 NC – Vehicle Industry Investment Regulations

<sup>35</sup> Section 20 Report, Attachment 26 NC – Policy on Development of Automotive Industry

[100] The CBSA reviewed DCVC's response to the section 20 RFI with respect to the GOC's economic development plans, policies and initiatives discussed above. The CBSA takes the position that even indirect influence and the cumulative impact of the GOC's macro economic measures could have resulted in an environment where semi-trailer enterprises adhere to the government's objectives and guidelines. Therefore, domestic prices in the semi-trailer industry in China could be affected as supply and demand are not free from intervention by a government or other authority.

### ***GOC's Ownership and Control of Semi-trailer Producers***

[101] The core principle of the Chinese economy is the socialist public ownership of the means of production. The State-owned economy is the leading force of the national economy and the State has the mandate to ensure its consolidation and growth.<sup>36</sup>

[102] The GOC maintains structures and ensures their continued influence over enterprises, and in particular SOEs. The GOC not only actively formulates and oversees the implementation of general economic policies by individual SOEs, but it also claims its rights to participate in operational decision-making in SOEs. In exchange, SOEs enjoy a particular status within the Chinese economy, which entails a number of economic benefits, in particular shielding from competition and preferential access to relevant resources, including financing.<sup>37</sup>

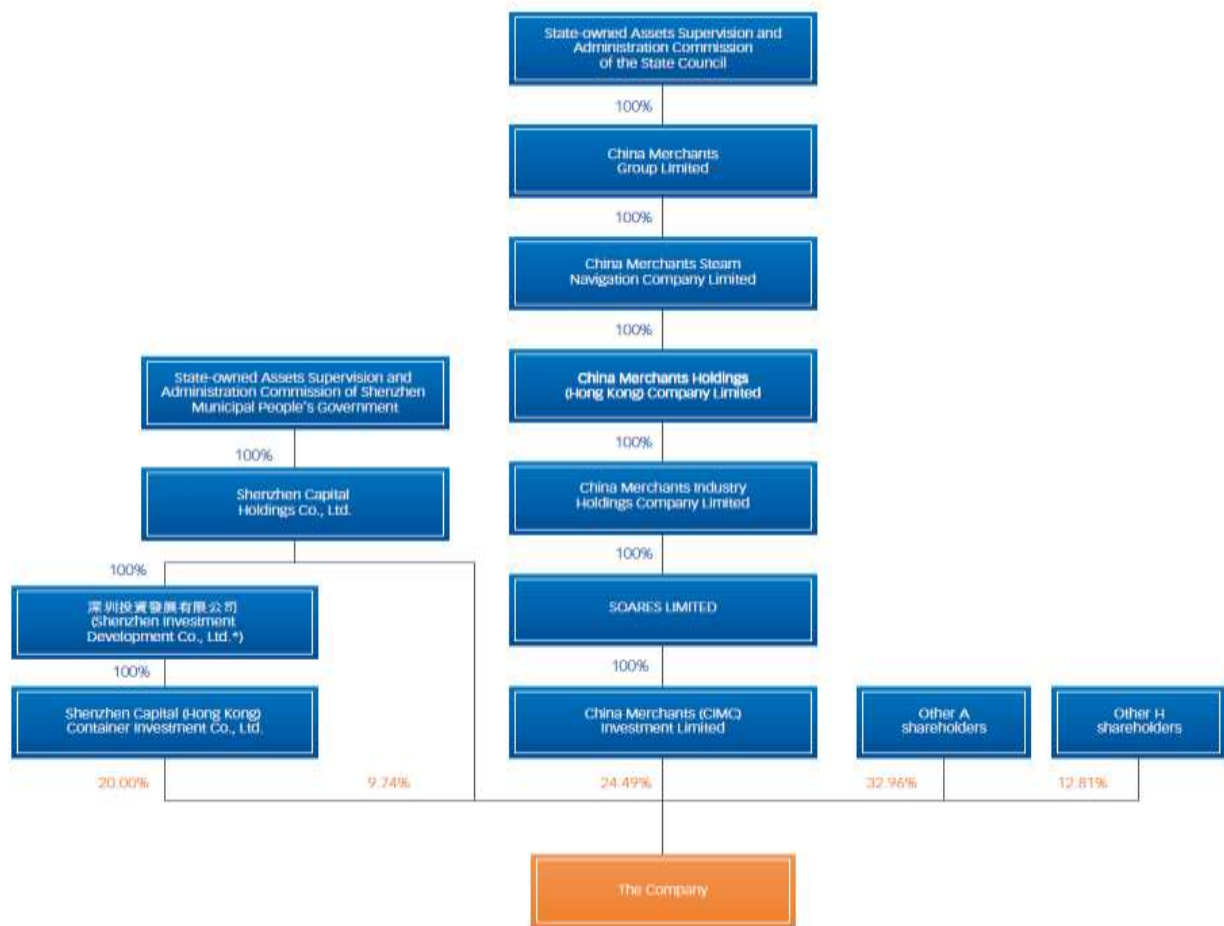
[103] The shareholding structure between CIMC and its substantial shareholders, as presented below, was illustrated in CIMC's 2020 annual report.<sup>38</sup> The chart directly indicates that the SASACSC, as the largest shareholder, owns 54.2% shares through various intermediate subsidiaries.

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<sup>36</sup> Section 20 Report, Attachment 22 NC – EU MET Determination Steel Wheels

<sup>37</sup> Section 20 Report, Attachment 22 NC – EU MET Determination Steel Wheels

<sup>38</sup> Section 20 Report, Attachment 11 NC – CIMC Annual Report 2020, page 235



[104] In its Public Body Analysis, the United States Department of Commerce (US DoC) explained that the GOC uses “control pyramids” to diversify SOE ownership and to profit from public listings of SOEs without relinquishing meaningful control over SOE decision-making.<sup>39</sup> The government maintains a controlling stake in listed firms, while minority shareholders provide financial liquidity but only achieve limited influence.<sup>40</sup>

[105] Also as mentioned in the previous section, in a news release on August 27, 2018, the SASACSC publicly indicated that CIMC is an SOE.<sup>41</sup>

[106] It is the CBSA’s opinion that where a government entity holds a majority equity ownership, either directly or indirectly, this interest in and of itself means that the government exercises or has the potential to exercise control over the company’s operations generally. This may include control over, for example, the selection of board members and management, and profit distribution. Information on the record reasonably supports the argument that CIMC is an SOE controlled by the GOC through multiple intermediates and ultimately by SASACSC.

<sup>39</sup> Exhibit 2 (NC) – Container Chassis Complaint - Appendix 70, pages 18-20

<sup>40</sup> Exhibit 2 (NC) – Container Chassis Complaint - Appendix 36, pages 132-134

<sup>41</sup> Section 20 Report, Attachment 7 NC – SOEs in the B&RI projects - State-owned Assets Supervision Commission

### ***GOC's Ownership of Suppliers of Steel Materials and the Influence over Inputs***

[107] The complainant states that steel ingredients, including direct and indirect steel inputs, account for approximately 75% of the material inputs for container chassis.<sup>42</sup> Direct steel inputs to produce chassis structure and frame consist of steel plate, hollow structural steel, bars and beams, and account for 24% of the total material cost. Indirect steel inputs also account for a significant portion of material costs in the production of major components for semi-trailers such as wheels, suspension and axles, the prices of which are also affected by distorted steel prices in China's domestic market.<sup>43</sup>

[108] After a review of DCVC's response to the section 20 RFI, the CBSA found that the 35% direct steel inputs<sup>44</sup> in proportion to the total cost of major materials used by DCVC to produce container chassis is in line with the percentage submitted by the complainant. DCVC also submitted a list of cost proportions of over 800 material items, where the percentage of direct steel inputs alone in relation to the total material cost is also approximate to the proportion of 24% alleged by the complainant.<sup>45</sup> As such, taking into consideration other major chassis components such as rim, axle and suspension, which have the vast majority of steel inputs, the CBSA agrees that steel inputs are of significance to total material cost of container chassis.

[109] In the steel sector, a substantial degree of ownership by the GOC persists. The *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)*<sup>46</sup> indicates that the ten largest Chinese steel companies are to have 60% of China's crude steel output by 2025, which will likely require further state supervised acquisitions and mergers.

[110] The CBSA conducted its own research on steel production as reported by the World Steel Association. Based on the data, the top ten steel producers by volume accounted for 39% of all steel production in China in 2020.<sup>47</sup> Of these big ten producers, seven are state-owned, and the combined production of steel by these seven SOEs in China represents 74.4% of production by the top ten steel producers in China in 2020. As such, the GOC has already surpassed the objectives set out in the *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)* discussed above.

[111] As a result of GOC steel policies aimed at supply side structural reform, on September 22, 2016, Baosteel Group and Wuhan Steel Group consolidated by merging into BaoWu Steel Group, the largest crude steel producer in the world. The result of the merger has led to a much stronger influential state-owned entity and greater concentration in the steel industry.

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<sup>42</sup> Exhibit 2 (NC) – Container Chassis Complaint - page 42

<sup>43</sup> Exhibit 2 (NC) – Container Chassis Complaint - pages 68-69

<sup>44</sup> Exhibit 58 (PRO) – Exporter Section 20 RFI – DCVC, Exhibit C1.d Purchase of Major production Inputs

<sup>45</sup> Section 20 Report, Attachment 29 PRO – Analysis of Steel Proportion

<sup>46</sup> Exhibit 2 (NC) - Container Chassis Complaint - Appendix 36, page 436-445

<sup>47</sup> Section 20 Report, Attachment 13 NC – 2021 *World Steel in Figures* – World Steel Association

[112] The GOC's extensive ownership and control of the majority of large Chinese steel producers means that these companies likely produce and market steel according to GOC objectives and policies instead of market conditions. These large SOE steelmakers in China all are able to produce the types of steel inputs used for semi-trailer production.<sup>48</sup> Consequently, they can sell various steel products such as steel plate, beams and bars, directly used by semi-trailer producers, at non-market prices.

[113] Given that the state-owned steel groups also produce steel materials for wheel, axle and suspension, all of which are important assemblies to various semi-trailers including container chassis, there is a possibility that prices of semi-trailers including chassis are further affected due to the low priced steel inputs provided by large SOEs to produce various semi-trailer assemblies.

[114] The complainant presents price comparisons showing that the Chinese domestic prices for steel plate and beams, two major material inputs for container chassis, were below other benchmark markets in 2019 and 2020.<sup>49</sup>

[115] The CBSA is able to obtain information from SteelBenchmarker which collects and analyzes ex-mill prices of plate and hot-rolled band (HRB) in China, the US and other regions, during the review period.<sup>50</sup> Steel plate and HRB are two main direct steel inputs in the production of container chassis. The CBSA can reasonably conclude that FOB mill prices of plate and HRB in China during the POI were consistently lower than those in the US or world average prices.

[116] Given that steel plate and HRB are commodity products freely traded on the world market, these disparities further support the allegation in the complaint that domestic prices of steel inputs in China are not the same as they would be in a competitive market.

[117] The GOC's control and influence over steel production and pricing result in artificially low prices for steel, which likely influence prices of down stream products such as semi-trailer assemblies and semi-trailers themselves including container chassis, which would benefit from the low input cost advantage.

### ***Existence of Non-market Conditions in Sectors of other Semi-trailer Assemblies***

[118] The price distortions in China of semi-trailer assemblies were recognized by the US and the European Union (EU) trade remedy authorities in the dumping determinations of the existence of non-market economy in Chinese wheels and tires sectors.

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<sup>48</sup> Exhibit 2 (NC) – Container Chassis Complaint – pages 70-72

<sup>49</sup> Exhibit 2 (NC) – Container Chassis Complaint – page 69

<sup>50</sup> Section 20 Report, Attachment 15 NC – Price History, SteelBenchmarker.

[119] With respect to the wheels sector in China, the US DoC stated in its Less-Than-Fair-Value investigation of certain steel wheels from China in 2018:<sup>51</sup>

*Commerce considers China to be an NME (Non-Market Economy) country. In accordance with section 71(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by Commerce.*

[120] The EU made a determination regarding exporters in China involved in certain aluminium road wheels dumping investigation:<sup>52</sup>

*The finding that all companies that had requested MET (Market Economy Treatment) should be denied MET, as established in recital (53) of the provisional Regulation is hereby confirmed.*<sup>53</sup>

[121] On March 4, 2020, the EU also concluded in its final determination in respect of steel road wheels from China<sup>54</sup> that the steel road wheels market in China was served to a significant extent by enterprises subject to the ownership, control or policy supervision or guidance by the GOC.<sup>55</sup>

[122] The US DoC and EU also confirmed the existence of non-market conditions in the truck tire segment in China.

[123] On January 19, 2017, the US DoC continued to treat China as a non-market economy country in the final determination of dumping investigation of truck and bus tires from China.<sup>56</sup> In the final determination of pneumatic tyres used for buses or lorries on October 18, 2018, the EU ruled that the Chinese exporters didn't meet the criteria for market economy treatment.<sup>57</sup>

[124] The *Catalogue of Priority Industries for Foreign Investment in Central and Western China*<sup>58</sup> is an example of the GOC's comprehensive catalogues designed to steer foreign investment flows towards the auto parts sector including driving axle and lighting systems, also components for semi-trailer production.

*Manufacturing of auto parts and components: automatic transmission with six or more gears, high-power and density driving axles for commercial vehicles, adaptive front-lighting systems, LED front-lighting, application of lightweight materials (high-strength steel, aluminium-magnesium alloy, composite plastics, powder metallurgy, high-strength composite fibers, etc.), clutches, hydraulic shock absorbers, central control panel assembly and seats.*

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<sup>51</sup> Section 20 Report, Attachment 20 NC – USDoC NME Determination Steel Wheels

<sup>52</sup> [https://trade.ec.europa.eu/tdi/case\\_history.cfm?init=1509](https://trade.ec.europa.eu/tdi/case_history.cfm?init=1509)

<sup>53</sup> Section 20 Report, Attachment 21 NC – EU MET Determination Aluminium Wheels

<sup>54</sup> [https://trade.ec.europa.eu/tdi/case\\_history.cfm?id=2383&init=2383](https://trade.ec.europa.eu/tdi/case_history.cfm?id=2383&init=2383)

<sup>55</sup> Section 20 Report, Attachment 22 NC – EU MET Determination Steel Wheels

<sup>56</sup> Section 20 Report, Attachment 23 NC – USDOC NME Determination Tires

<sup>57</sup> Section 20 Report, Attachment 24 NC – EU MET Determination Tires

<sup>58</sup> Section 20 Report, Attachment 27 NC – Catalogue of Industries Encouraged



[125] The GOC guides the development of various sectors in accordance with a broad range of policy tools and directives related to market composition and restructuring, raw materials, investment, capacity elimination, product range, relocation and upgrading, etc. Through these and other means, the GOC directs and controls virtually every aspect in the development and functioning of sectors including steel wheels, road tires, axles and lighting systems.

### ***Subsidization of the Semi-trailers, Steel Materials and Other Inputs***

[126] The complainant made allegations that the GOC has subsidized chassis production, as well as relevant input materials, most notably steel inputs.

[127] Based on publically available financial statements of the CIMC group, CIMC has reported having received large amounts of subsidies. In addition to over 712 million CNY of government grants recognized in profit in 2020<sup>59</sup>, subsidies received by CIMC but to be recognized in future periods amounted to 1,176 million CYN as of December 31, 2020.<sup>60</sup> This represents 15.8% of CIMC's operation profit of 7,439 million CNY in 2020.<sup>61</sup>

[128] Similarly, CIMC Vehicles reported income from government grants of over 242 million CNY in 2020<sup>62</sup> and accumulated over 105 million CNY<sup>63</sup> deferred income to be recognized in future periods as of December 31, 2020.

[129] The subsidization of container chassis production by the GOC is also evidenced by the recent findings made by the US DoC in the chassis subsidy investigation. On April 8, 2021, the US DoC issued its final determination with an increased subsidy amount from the preliminary determination to 44.32% *ad valorem*, applicable to CIMC and all other chassis producers in China.<sup>64</sup>

[130] In response to the subsidy allegation by the complainant, the CBSA initiated the subsidy investigation of container chassis and made its final determination on January 19, 2022, with a countervailing duty at 2.5% of export price for DCVC and 20.4% for all other Chinese exporters.

[131] Given that CIMC has been receiving large amounts of subsidies from the GOC through multiple programs, it is reasonable to conclude that similar subsidy programs could be easily available to other container chassis exporters and producers.

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<sup>59</sup> Section 20 Report, Attachment 11 NC – CIMC Annual Report 2020 – page 15

<sup>60</sup> Section 20 Report, Attachment 11 NC – CIMC Annual Report 2020 – page 445

<sup>61</sup> Section 20 Report, Attachment 11 NC – CIMC Annual Report 2020 – page 14

<sup>62</sup> Section 20 Report, Attachment 10 NC – CIMC Vehicles Annual Report 2020 – page 180

<sup>63</sup> Section 20 Report, Attachment 10 NC – CIMC Vehicles Annual Report 2020 – page 241

<sup>64</sup> Exhibit 2 (NC) – Container Chassis Complaint – Appendix 99

[132] As steel is a significant input in the production of container chassis and their steel assemblies, extensive subsidization in various steel sectors causes distorted prices of steel materials and chassis assemblies and the benefits would be both directly and indirectly passed through to container chassis producers in China. The previous positive findings of subsidized steel products in China by the CBSA including steel pipes<sup>65</sup>, coil sheets<sup>66</sup>, steel bars<sup>67</sup> and rods<sup>68</sup> are evidence of the GOC's influence in the steel industry.

[133] Besides steel inputs, semi-trailer assemblies such as wheels and tires were found by the US DoC and EU to have been heavily subsidized by the GOC.

[134] On January 23, 2017, the US DoC announced its affirmative final determinations in the countervailing duty investigation of truck and bus tires from China with a countervailing rate ranging from 38.6% to 68.5%.<sup>69</sup> On March 22, 2019, the US DoC made its final determinations in the countervailing duty investigations of steel wheels from China with a countervailing rate of 457.1% to mandatory respondents and all other Chinese steel wheel exporters.<sup>70</sup>

[135] Similarly on November 13, 2018, the European Commission imposed a definitive countervailing duty on imports of new and retreaded tyres for buses or lorries from China. The rate of duty is between EUR 3.75 and 57.28 per item depending on the exporter.<sup>71</sup>

[136] In conclusion, these direct and indirect subsidies allow Chinese container chassis producers to receive direct financial supports from the GOC and likely benefit from subsidized assemblies, which in turn would allow the chassis producers to sell their products at prices determined by factors other than market conditions, resulting in prices possibly lower than they would be without government subsidization.

### ***Preferential Tax Treatment***

[137] The GOC provides preferential tax treatment to the purchase of container chassis in China. The Ministry of Finance issued a directive on May 25, 2018, which cut the 10% sales tax applicable to purchases of vehicles including semi-trailers by half to 5% for the period of July 1, 2018 up to June 30, 2021. The Ministry recently extended the tax break until December 31, 2023.<sup>72</sup>

[138] The Ministry implemented this preferential tax policy measure with a stated purpose to promote the development of drop-and-pull transport, improve logistics efficiency and reduce logistics costs, guided by the GOC's various directives and initiatives as discussed previously.

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<sup>65</sup> [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1373/ad1373-i08-fd-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1373/ad1373-i08-fd-eng.html)

<sup>66</sup> [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-fd-eng.html)

<sup>67</sup> [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-fd-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-fd-eng.html)

<sup>68</sup> [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/sr2018/sr2018-fd-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/sr2018/sr2018-fd-eng.html)

<sup>69</sup> Section 20 Report, Attachment 17 NC – US DoC Subsidy Final Determination - Tires

<sup>70</sup> Section 20 Report, Attachment 18 NC – US DoC Subsidy Final Determination - Wheels

<sup>71</sup> Section 20 Report, Attachment 19 NC – EU Subsidy Final Determination - Tires

<sup>72</sup> Exhibit 2 (NC) – Container Chassis Complaint - page 62 & Attachment 36

[139] In its response to the CBSA's section 20 RFI, DCVC provided information about the existence and purpose of the tax reduction policy.

[140] This preferential policy of reducing the sales tax from 10% down to 5% is further evidence that the GOC can regulate the level of profits that semi-trailer companies can earn which will have an impact on domestic prices of various semi-trailers including container chassis.

### **Analysis of Domestic Price in China**

[141] The complainant provided sample offers and prices of container chassis in the Chinese domestic market, retrieved from online marketplaces Alibaba and Diyiqi, to compare prices of similar models that closely resemble each other, sold by the complainant in Canada or sold online in some European countries.

[142] As the legal and regulatory standards for container chassis differ significantly from one jurisdiction to the other, it is difficult to select and compare identical models across the North American, Chinese and European markets. In selecting comparable models that closely resemble each other, the complainant used key characteristics: chassis length, number of axles, tare weight and gross vehicle weight rating to assess likeness of various chassis.

[143] The comparison demonstrates that container chassis prices in China are significantly lower than in Canadian and European markets, suggesting the GOC's involvement in the chassis sector is affecting its domestic prices.

[144] Price information contained in the domestic sales database of DCVC's submission was also analyzed to assess whether the domestic price of container chassis sold by DCVC is distorted compared to other competitive markets. The result<sup>73</sup> reveals that during the POI, the average price and price range of container chassis sold by DCVC were significantly lower than those in the European market.

[145] A comparison of DCVC's domestic prices of goods of the same description with their total costs were performed on the domestic sales database submitted by DCVC.<sup>74</sup> The result<sup>75</sup> indicates that 97% of container chassis sold by DCVC during the POI were at a loss. The fact that the vast majority of DCVC's domestic sales of container chassis were unprofitable further evidences the price abnormality of container chassis in China.

[146] Information on the record supports the allegation that the domestic prices of container chassis in China are not substantially the same as they would be if they were determined in a competitive market.

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<sup>73</sup> Section 20 Report, Attachment 30 (PRO) – Analysis of DCVC Domestic Selling Prices

<sup>74</sup> Exhibit 70 (PRO) – DCVC's Response to Dumping RFI, Appendix 3A

<sup>75</sup> Section 20 Report, Attachment 30 (PRO) – Analysis of DCVC Domestic Selling Prices

## **Summary of the Results of the Section 20 Inquiry**

[147] Based on the information on the record, the CBSA finds that the GOC's policies, ownership, subsidization, tax treatment and non-market conditions in semi-trailer and/or its various inputs/assemblies sectors evidence the GOC's involvement in and impacts on the semi-trailer sector.

[148] Based on the above analysis, for the purposes of the final determination, the CBSA affirmed the opinion rendered at the preliminary determination that the conditions of paragraph 20(1)(a) of SIMA exist in the semi-trailer sector in China:

- domestic prices in the semi-trailer sector in China, which includes container chassis, are substantially determined by the GOC; and
- there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

## **Normal Value**

[149] Normal values could not be determined in accordance with the methodology of section 15 of SIMA, or one of the methodologies of section 19, because the CBSA formed the opinion that the conditions of paragraph 20(1)(a) of SIMA exist in the semi-trailer sector in China, which includes container chassis.

[150] Where section 20 conditions exist, the CBSA may determine normal values using the selling prices, or the total costs and profit, of like goods sold by producers in a surrogate country designated by the President in accordance with the provisions of paragraph 20(1)(c) of SIMA. However, no surrogate country producers provided the necessary domestic pricing and costing information relating to the goods under investigation.

[151] Where normal values cannot be determined under paragraph 20(1)(c), SIMA provides an alternative methodology to calculate normal values under paragraph 20(1)(d), using re-sales in Canada of like goods imported from a third country. The CBSA determined that this provision could also not be used given that the importers did not provide sufficient re-sale information.

[152] As a result, and in the absence of sufficient information to determine normal values under section 20 of SIMA, normal values were determined pursuant to a ministerial specification in accordance with subsection 29(1) of SIMA, on the basis of facts available.

[153] In establishing the methodology for determining normal values, the CBSA analyzed all the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, and customs import documentation.

[154] The CBSA calculated the normal values for the subject goods from China using an approach that reflects the methodology of subparagraph 20(1)(c)(ii) of SIMA, calculated as the aggregate of the cost of production of the like goods sold for consumption in the surrogate country plus a reasonable amount for administrative, selling and all other costs and a reasonable amount for profits.

[155] Given the size and structure of the domestic market for container chassis in China, there are limited national markets which are reasonably comparable to the domestic market in China. The CBSA selected the U.S as a reasonable surrogate country after considering a number of factors such as, market size, volume of domestic production, and domestic demand for container chassis.

[156] As no surrogate producer provided a response to the CBSA surrogate RFI, normal values were determined based on the complainant's own cost of production for domestically produced container chassis, as well as public information from the US.

[157] The complainant provided the cost of production of several different container chassis models and cost premiums for various common modifications as part of the initial complaint and supplemental submission during the investigation. The CBSA determined the complainant's costing information to be comparable to US producers', as the US and Canada have many market similarities, as explained below.

### **Cost of Material**

[158] There was insufficient information on the record to determine the cost of material in the US, therefore the CBSA determined the cost of material based on the complainant's information.

[159] Based on the information available on the record, the steel frame of a container chassis is primarily made of hot-rolled steel. Since the Canadian steel market forms part of the larger and integrated North American steel market, the CBSA has considered the prices of the Canadian hot-rolled steel to be comparable to the US prices. Accordingly, the CBSA did not apply any adjustment for the complainant's cost of material to account for differences between the two countries.

[160] Since the complainant's cost of materials did not span across all months in the POI, the CBSA adjusted the complainant's cost of material to account for the monthly variation of hot rolled steel (HRS) prices during the POI. To make the adjustment, the CBSA took the difference of the monthly averages of HRS prices and multiplied by the quantity of HRS used to fabricate the respective container chassis model. The CBSA relied on the monthly published HRS prices from Fastmarkets Metal Bulletin (Fastmarkets MB). Fastmarkets MB is one of the world's leading data providers which reports metal and steel prices from around the globe.

## **Cost of Labour**

[161] There was insufficient information on the record to determine the cost of labour applicable to the production of container chassis in the US, therefore the CBSA determined the cost of labour based on the complainant's information.

[162] Based on publicly available information with respect to average labour rates in Canada and the US, the CBSA determined that the cost of labour in the US closely aligns to the cost of labour in Canada. Accordingly, the CBSA did not apply any adjustment for the complainant's cost of labour.

## **Cost of Overhead**

[163] There was insufficient information on the record to determine the cost of overhead in the US, therefore the CBSA determined the cost of overhead based on the complainant's information.

[164] Based on the complainant's financial information, the CBSA determined an amount for overhead expenses expressed as a percentage of the aggregate cost of material and labour. Similar to the cost of material and labor referred to above, this reflects the best information available to the CBSA.

## **Amount for Administrative, Selling and All Other Costs**

[165] The CBSA relied on the 2020 financial statements of Wabash National Corporation, a publicly traded semi-trailer manufacturer in the US, as a source for the most reasonable amount for administrative, selling and all other costs. The amount is equal to 9.8% of the aggregate cost of material, labour, and overhead. This reflects the best information available to the CBSA.

## **Amount for Profit**

[166] No information on the record was available to source a reasonable amount for profit based on 2020. This includes Canadian importers, Canadian producers as well as publicly available financial statements of US producers. Due to this fact, the CBSA relied on the 2019 financial statements and the 2021 first quarter results of Wabash National Corporation as a source for the most reasonable amount for profit for goods produced during the POI<sup>76</sup>. The 2019 profit, equal to 5.3% of the total cost of goods was applied to goods produced in calendar year 2020 and the Q1 2021 profit of 2.9% was applied to goods produced in calendar year 2021. This reflects the best information available to the CBSA.

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<sup>76</sup> Wabash was unprofitable during 2020.

## **Export Price**

[167] The export price of goods sold to importers in Canada is generally determined in accordance with the methodology of section 24 of SIMA based on the lesser of the adjusted exporter's sale price for the goods or the adjusted importer's purchase price. These prices are adjusted where necessary by deducting the costs, charges, expenses, duties and taxes resulting from the exportation of the goods as provided for in subparagraphs 24(a)(i) to 24(a)(iii) of SIMA.

## **Margin of Dumping**

[168] The margin of dumping by exporter is equal to the amount by which the total normal value exceeds the total export price of the goods, expressed as a percentage of the total export price. All subject goods imported into Canada during the POI are included in the margins of dumping of the goods. Where the total normal value of the goods does not exceed the total export price of the goods, the margin of dumping is zero.

## **Results of the Dumping Investigation**

### **Dongguan CIMC Vehicle Co., Ltd.**

[169] DCVC is a producer and exporter of subject goods, located in Dongguan City, China. DCVC is a subsidiary of Chinese International Marine Containers Co. Ltd. (CIMC), a Chinese state-owned and state-controlled enterprise<sup>77</sup>. CIMC is a world leading supplier of logistics and energy equipment, headquartered in Shenzhen, China. CIMC began to manufacture and sell semi-trailers in 2002, and have been the world's largest semi-trailer manufacturer in terms of total sales volume every year since 2013. CIMC primarily engaged in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles. Product lines include chassis, flatbed trailers, fence trailers, tank trailers, refrigerated trailers and van trailers. DCVC manufactured and exported subject goods imported into Canada from China during the POI.

[170] DCVC provided a response to the Dumping RFI<sup>78</sup> and the Section 20 RFI<sup>79</sup>. DCVC also provided a response to one supplemental RFI<sup>80</sup> covering the Dumping and Subsidy investigation. DCVC information was verified by way of verification questionnaires issued by the CBSA in November 2021.

[171] Normal values were determined pursuant to subsection 29(1) of SIMA as described above.

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<sup>77</sup> Exhibit 2 (NC) – Complaint

<sup>78</sup> Exhibit 70 (PRO) & 71 (NC) – Exporter Dumping RFI – DCVC

<sup>79</sup> Exhibit 58 (PRO) & 59 (NC) – Exporter Section 20 RFI – DCVC

<sup>80</sup> Exhibit 102 (PRO) & 103 (NC) – Exporter Dumping SRFI#1 – DCVC

[172] For the subject goods exported by DCVC to Canada during the POI, the export prices were determined in accordance with the methodology of section 24 of SIMA based on the lesser of the adjusted exporter's sale price for the goods or the adjusted importer's purchase price. These prices are adjusted where necessary by deducting the costs, charges, expenses, duties and taxes resulting from the exportation of the goods as provided for in subparagraphs 24(a)(i) to 24(a)(iii) of SIMA.

[173] For purpose of the final determination, the total normal value compared to the total export price results in an margin of dumping of 56.6% for DCVC, expressed as a percentage of export price.

### **All Other Exporters – China**

[174] Although no evidence was found that other exporters exported subject goods to Canada during the POI, SIMA duties are applicable should new exporters begin selling subject goods to Canada.

[175] In establishing the methodology for determining the normal values and export prices for other potential exporters from China, the CBSA considered all of the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, information submitted by exporters of container chassis from the named country and customs entry documentation.

[176] The CBSA decided that the normal values and export prices determined for the exporter from China whose submission was substantially complete, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for determining normal values for all other potential exporters of subject goods from China since it is more relevant and reflects the trading practices of a Chinese exporter of subject goods during the POI.

[177] The CBSA examined the difference between the normal value and the export price for each individual transaction, and considered that the highest amount for the exporter (expressed as a percentage of the export price), was an appropriate basis for determining normal values. This methodology relies on information related to goods that originated in China and in general, provides an incentive for exporters to participate by ensuring that exporters who have provided the necessary information requested in a dumping investigation will have a more favorable outcome than those who have not participated.

[178] Using the above methodologies, for exporters that did not provide a response to the Dumping RFI, normal values of subject goods originating in or exported from China were determined based on the highest amount by which a normal value exceeded the export price, on an individual transaction for the cooperative exporter during the POI. The transactions were examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors. No such anomalies were identified.



[179] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to determine the export price of the goods as it reflects actual import data.

[180] Using the above methodologies, the margin of dumping for all other potential exporters in China is 126.4%, expressed as a percentage of the export price.

### **Summary of Results – Dumping**

[181] A summary of the results of the dumping investigation respecting all subject goods released into Canada during the POI are as follows:

**Summary of Results - Dumping**  
Period of Investigation (May 1, 2020 to April 30, 2021)

<b>Exporter / Country of Origin or Export</b>	<b>Margin of Dumping (% of Export Price)</b>	<b>Volume of Subject Goods (% of Total Imports)</b>
Dongguan CIMC Vehicle Co., Ltd. (China)	56.6%	84.7%

[182] Under paragraph 41(1)(a) of SIMA, the CBSA is required to terminate an investigation in respect of any goods of an exporter if it is satisfied that the goods have not been dumped or the margin of dumping of the goods of that exporter is insignificant, meaning a margin of dumping that is less than 2% of the export price of the goods.

[183] The goods under investigation have been dumped and the margins of dumping determined for the goods are greater than the threshold of 2% and are therefore not considered insignificant. As a result, pursuant to paragraph 41(1)(b) of SIMA, the CBSA made a final determination of dumping respecting certain container chassis originating in or exported from China.

[184] A summary of the results of the dumping investigation respecting the subject goods released into Canada during the POI is presented in **Appendix 1**.

### **SUBSIDY INVESTIGATION**

[185] In accordance with section 2 of SIMA, a subsidy exists if there is a financial contribution by a government of a country other than Canada that confers a benefit on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of goods. A subsidy also exists in respect of any form of income or price support within the meaning of Article XVI of the *General Agreement on Tariffs and Trade*, 1994, being part of Annex 1A to the World Trade Organization (WTO) Agreement that confers a benefit.

[186] Pursuant to subsection 2(1.6) of SIMA, there is a financial contribution by a government of a country other than Canada where:

- (a) practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities;
- (b) amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected;
- (c) the government provides goods or services, other than general governmental infrastructure, or purchases goods; or
- (d) the government permits or directs a non-governmental body to do anything referred to in any of paragraphs (a) to (c) where the right or obligation to do the thing is normally vested in the government and the manner in which the non-governmental body does the thing does not differ in a meaningful way from the manner in which the government would do it.

[187] Where subsidies exist, they may be subject to countervailing measures if they are specific in nature. According to subsection 2(7.2) of SIMA a subsidy is considered to be specific when it is limited, in a legislative, regulatory or administrative instrument, or other public document, to a particular enterprise within the jurisdiction of the authority that is granting the subsidy; or is a prohibited subsidy.

[188] A “prohibited subsidy” is either an export subsidy or a subsidy or portion of a subsidy that is contingent, in whole or in part, on the use of goods that are produced or that originate in the country of export. An export subsidy is a subsidy or portion of a subsidy contingent, in whole or in part, on export performance. An “enterprise” is defined as including a group of enterprises, an industry and a group of industries. These terms are all defined in section 2 of SIMA.

[189] Notwithstanding that a subsidy is not specific in law, under subsection 2(7.3) of SIMA a subsidy may also be considered specific having regard as to whether:

- (a) there is exclusive use of the subsidy by a limited number of enterprises;
- (b) there is predominant use of the subsidy by a particular enterprise;
- (c) disproportionately large amounts of the subsidy are granted to a limited number of enterprises; and
- (d) the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[190] For the purposes of a subsidy investigation, the CBSA refers to a subsidy that has been found to be specific as an “actionable subsidy,” meaning that it is subject to countervailing measures if the persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of goods under investigation have benefited from the subsidy.

[191] Financial contributions provided by state-owned enterprises (SOEs) may also be considered to be provided by the government for purposes of this investigation. A SOE may be considered to constitute “government” for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or some combination thereof.

### **Results of the Subsidy Investigation**

[192] At the initiation of the investigation, the CBSA sent Subsidy RFIs to the GOC, as well as to all known exporters/producers of container chassis in China.

[193] The GOC was also requested to forward the Subsidy RFI to all subordinate levels of government that had jurisdiction over the exporters. The exporters/producers were requested to forward a portion of the Subsidy RFI to their input suppliers, who were asked to respond to questions pertaining to their legal characterization as SOEs.

[194] The governments and the exporters/producers were also notified that failure to submit all required information and documentation, including non-confidential versions, failure to comply with all instructions contained in the Subsidy RFI, failure to permit verification of any information or failure to provide documentation requested during the verification visits or desk audits may result in the amount of subsidy and the assessment of countervailing duties on subject goods being based on facts available to the CBSA. Further, they were notified that a determination on the basis of facts available could be less favourable than if complete, verifiable information was made available.

[195] The GOC did not respond to the CBSA’s Government Subsidy RFI, which limited the CBSA’s ability to determine the amount of subsidy in the prescribed manner as the required information relating to financial contribution, benefit and specificity was not provided. It also limited the CBSA’s ability to determine whether producers, or other suppliers of goods and services are public bodies.

[196] Due to a lack of government response, subsidy amounts for the exporter were determined pursuant to subsection 30.4(2) of SIMA, based on a ministerial specification. However, in consideration of the fact that the cooperative exporter provided sufficient information in response to their Subsidy RFI, an individual amount of subsidy was determined based on the information provided in response to the Subsidy RFI and obtained during the verification.

[197] The available information indicates that these programs do not appear to be generally available to all enterprises in China. As well, due to the lack of a response by the GOC, there is not sufficient information on the administrative record to determine that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1) of SIMA. Therefore, guided by the principles of subsection 2(7.2) or subsection 2(7.3) of SIMA and basing its opinion on the best information available, the CBSA has taken the position that the subsidy derived from these programs is likely to be specific.

[198] An account of the subsidies received by the exporter that provided a response to the Subsidy RFI is provided below. The amount of subsidy for the exporter is also presented in a summary table in **Appendix 1**. Additional details regarding identified programs and incentives is included in **Appendix 3**.

### **Dongguan CIMC Vehicle Co., Ltd.**

[199] DCVC provided a response to the Subsidy RFI.<sup>81</sup> For purposes of the final determination, DCVC was found to have received countervailable benefits from 42 subsidy programs.<sup>82</sup>

[200] Multiple programs were found to have conferred benefits to the exporter by being passed-through from its following related suppliers during the purchase of raw materials:

- Zhumadian CIMC Wanjia Axle Vehicle Co., Ltd.<sup>83</sup>
- CIMC Vehicles (Group) Co., Ltd.<sup>84</sup>
- Shenzhen CIMC Vehicle Co., Ltd.<sup>85</sup>

[201] The CBSA attributed the subsidies received by the suppliers to the goods exported to Canada because of the relationship between the parties. The CBSA has concluded that a subsidy pass-through test is not required given the relation between the exporter and the related suppliers. Consequently, any actionable subsidies received by the related suppliers which are attributable to the goods under investigation and exported to Canada, were aggregated with those directly received by the exporter.

[202] For purposes of the final determination, DCVC was found to have received countervailable benefits from 42 subsidy programs. The amount of subsidy for DCVC is 2.5%, expressed as a percentage of the export price.

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<sup>81</sup> Exhibit 62 (PRO) & 63 (NC) – Exporter Subsidy RFI Response – Dongguan CIMC Vehicle Co., Ltd.

<sup>82</sup> The CBSA included a list of 27 potential subsidy programs at the initiation of the investigation. Of the programs identified by DCVC, 4 were considered to be from that initial list, while the remaining 38 were considered as programs not previously identified.

<sup>83</sup> Exhibit 68 (PRO) & 69 (NC) – Exporter Subsidy RFI Response – Zhumadian CIMC Wanjia Axle Vehicle Co., Ltd.

<sup>84</sup> Exhibit 66 (PRO) & 67 (NC) – Exporter Subsidy RFI Response – CIMC Vehicles (Group) Co., Ltd.

<sup>85</sup> Exhibit 54 (PRO) & 55 (NC) – Exporter Subsidy RFI Response – Shenzhen CIMC Vehicle Co., Ltd.

## All Other Exporters – China

[203] Although no evidence was found that any other exporters exported subject goods to Canada during the POI, countervailing duties are applicable should new exporters begin selling subject goods to Canada. For all other potential exporters of subject goods from China, the CBSA determined an amount of subsidy, pursuant to a ministerial specification under subsection 30.4(2) of SIMA, on the basis of the following methodology:

1. the amount of subsidy for each of the 42 programs, as found at the final determination, for the producer/exporter located in China for whom the CBSA has sufficient information to determine an amount of subsidy, plus;
2. the highest amount of subsidy for the 42 programs listed in (1), applied to each of the remaining 23 potentially actionable subsidy programs for which sufficient information is not available or has not been provided at the final determination.

[204] In establishing the methodology for determining the amount of subsidy for all other potential exporters from China, the CBSA considered all of the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, and information submitted by the exporter, as well as their related affiliates in China who responded to the Subsidy RFI.

[205] This methodology relies on information related to potentially actionable subsidies in China, it recognizes that the GOC did not provide a response to the Subsidy RFI (thereby impeding the CBSA's ability to make a fully informed decision), and in general, provides an incentive for exporters to participate by limiting the advantage that an exporter may gain from not providing necessary information requested in a subsidy investigation as compared to an exporter that did provide the necessary information.

[206] Using the above methodology, for the final determination, the amount of subsidy for all other exporters in China is 20.4%, expressed as a percentage of the export price.

## **Summary of Results – Subsidy**

[207] A summary of the final results of the subsidy investigation respecting subject goods released into Canada during the POI follows:

### **Summary of Results - Subsidy** Period of Investigation (January 1, 2020 to April 30, 2021)

<b>Country of Origin or Export</b>	<b>Volume (units)</b>	<b>% of Total Imports (by volume)</b>	<b>Amount of Subsidy (% of export price)</b>
Dongguan CIMC Vehicle Co., Ltd.	867	82.3%	2.5%
Total China	867	82.3%	2.5%
All Other Countries	186	17.7%	
Total	1053	100%	

[208] Under paragraph 41(1)(a) of SIMA, the CBSA is required to terminate an investigation in respect of any goods of an exporter if the CBSA is satisfied that the goods have not been subsidized or the amount of subsidy on the goods of that exporter is insignificant.

[209] Pursuant to subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods, for a developed country, is defined as insignificant.

[210] The goods under investigation from China have been subsidized and the amount of subsidy determined for those goods is greater than the threshold of 1% and is therefore not considered insignificant. As a result, the legislative requirement is satisfied for making a final determination of subsidy respecting container chassis from China.

## **DECISIONS**

[211] On January 19, 2022, pursuant to paragraph 41(1)(b) of SIMA, the CBSA made final determinations of dumping and subsidizing respecting container chassis originating in or exported from China.

## **FUTURE ACTION**

[212] The provisional period began on October 21, 2021, and will end on the date the CITT issues its finding. The CITT is expected to issue its decision by February 18, 2022. Provisional duties will continue to apply until this date on imports of subject goods from China. For further details on the application of provisional duty, refer to the *Statement of Reasons* issued for the [preliminary determinations](#).

[213] If the CITT finds that the dumped and subsidized goods have not caused injury and do not threaten to cause injury, all proceedings will be terminated. In this situation, all provisional duty paid or security posted by importers will be returned.

[214] If the CITT finds that the dumped and subsidized goods have caused injury, the anti-dumping and countervailing duty payable on subject goods released by the CBSA during the provisional period will be finalized pursuant to section 55 of SIMA. Imports released by the CBSA after the date of the CITT's finding will be subject to anti-dumping duty equal to the margin of dumping and countervailing duty equal to the amount of subsidy.

[215] The importer in Canada shall pay all applicable duties. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the customs documents, an administrative monetary penalty could be imposed. The provisions of the Customs Act apply with respect to the payment, collection or refund of any duty collected under SIMA. As a result, failure to pay duty within the prescribed time will result in the application of interest.

### **RETROACTIVE DUTY ON MASSIVE IMPORTATIONS**

[216] Under certain circumstances, anti-dumping and/or countervailing duty can be imposed retroactively on subject goods imported into Canada. When the CITT conducts its inquiry on material injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of the investigations constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry. Should the CITT issue a finding that there were recent massive importations of dumped and/or subsidized goods that caused injury, imports of subject goods released by the CBSA in the 90 days preceding the day of the preliminary determinations could be subject to anti-dumping and/or countervailing duty.

[217] In respect of importations of subsidized goods that have caused injury, this provision is only applicable where the CBSA has determined that the whole or any part of the subsidy on the goods is a prohibited subsidy. In such a case, the amount of countervailing duty applied on a retroactive basis will equal the amount of subsidy on the goods that is a prohibited subsidy. An export subsidy is a prohibited subsidy according to subsection 2(1) of SIMA.

### **PUBLICATION**

[218] A notice of these final determinations of dumping and subsidizing will be published in the *Canada Gazette* pursuant to paragraph 41(3)(a) of SIMA.

## **INFORMATION**

[219] This *Statement of Reasons* is posted on the CBSA's website at the address below. For further information, please contact the officers identified as follows:

**Mail:** SIMA Registry and Disclosure Unit  
Trade and Anti-dumping Programs Directorate  
Canada Border Services Agency  
100 Metcalfe Street, 11<sup>th</sup> floor  
Ottawa, Ontario K1A 0L8  
Canada

**Telephone:** Jacob Saulnier 343-553-1412  
Sean Robertson 343-553-1584

**Email:** [simaregistry@cbsa-asfc.gc.ca](mailto:simaregistry@cbsa-asfc.gc.ca)

**Website:** [www.cbsa-asfc.gc.ca/sima-lmsi](http://www.cbsa-asfc.gc.ca/sima-lmsi)

Doug Band  
Director General  
Trade and Anti-dumping Programs Directorate

## **ATTACHMENTS**

**Appendix 1: Summary of Margin of Dumping and Amount of Subsidy**  
**Appendix 2: Summary of Dumping and Subsidy Representations**  
**Appendix 3: Description of Identified Programs and Incentives**



## **APPENDIX 1 – SUMMARY OF MARGIN OF DUMPING AND AMOUNT OF SUBSIDY**

<b>Exporter</b>	<b>Margin of Dumping (% of Export Price)</b>	<b>Amount of Subsidy (% of Export Price)</b>
Dongguan CIMC Vehicle Co., Ltd.	56.6%	2.5%
All Other Exporters - China	126.4%	20.4%

**Note:** The margins of dumping and amounts of subsidy reported in the table above were determined by the CBSA for the purposes of the final decisions. These margins and amounts may not reflect the amount of anti-dumping or countervailing duties to be levied on future importations of dumped or subsidized goods. In the event of an injury finding by CITT, normal values and amounts of subsidy for future shipments to Canada have been provided to the exporters who provided sufficient information in their response to the CBSA RFIs, as appropriate. These normal values and amounts of subsidy would come into effect the day after an injury finding. Information regarding normal values of the subject goods and amounts of subsidy should be obtained from the exporters. Imports from many other exporters will be subject to an anti-dumping duty rate and a countervailing duty rate, as applicable, in accordance with a ministerial specification and in an amount equal to the margin of dumping or the amount of subsidy found for “all other exporters” at the final determinations.

The amounts of subsidy (as a percentage of export price) are the amounts determined by the CBSA for purposes of the final determination of subsidizing. These amounts do not reflect the countervailing duty to be levied on future importations of subsidized goods originating in or exported from China, which will be based on the specific amounts of subsidy, per piece, converted into Canadian dollars.

Normally, normal values will not be applied retroactively. However, normal values may be applied retroactively in cases where the parties have not advised the CBSA in a timely manner of substantial changes that affect values for SIMA purposes. Therefore, where substantial changes occur in prices, market conditions, costs associated with production and sales of the goods, the onus is on the concerned parties to advise the CBSA.

Please consult the [SIMA Self-Assessment Guide](#) for more detailed information explaining how to determine the amount of SIMA duties owing.

## **APPENDIX 2 – DUMPING AND SUBSIDY REPRESENTATIONS**

Following the closing of the record on November 29, 2021, case arguments, and subsequently reply briefs, were received on behalf of the following parties:

- Dongguan CIMC Vehicle Co., Ltd. (exporter), CIE Manufacturing (related vendor in US), Ocean Trailer (importer), and Groupe St-Henry (importer)<sup>86</sup>
- The complainant, Max-Atlas Equipment International Inc.<sup>87</sup>

Certain details provided in case briefs and reply submissions were designated as confidential information by the submitting counsel. This has restricted the ability of the CBSA to discuss all issues raised in these submissions.

The material issues raised by the parties are summarized as follows:

### **General Representations**

#### ***Late Submissions***

#### **Case Briefs and Representations**

Counsel for DCVC submitted that the CBSA should accept CIE Manufacturing's surrogate RFI response and that it be taken into consideration for purposes of a final determination. The submission was received by the CBSA after the close of record.

#### **CBSA's Response**

Surrogate RFI responses were due July 19, 2021. Counsel for CIE manufacturing submitted a response to the surrogate RFI approximately four months after the due date and also after the close of the record. The CBSA rejected the submission for this reason, and as a result it does not form part of the administrative record. For this reason, any items in the case briefs that make reference to this submission will not be addressed by the CBSA. Had the information been filed on time it is not clear that the CBSA would have been able to use the information submitted from CIE Manufacturing as evidence on the record indicate that it was not a producer of like goods during the POI.

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<sup>86</sup> Exhibit 114 (PRO) & 115 (NC) – Case brief filed collectively on behalf of DCVC, CIE, Ocean Trailer and Groupe St-Henry. Exhibit 118 (PRO) & 119 (NC) – Reply submission filed.

<sup>87</sup> Exhibit 112 (PRO) & 113 (NC) – Case brief filed on behalf of MaxAtlas. Exhibit 116 (PRO) & 117 (NC) – Reply submission filed.

## **Dumping Representations**

### ***Section 20 Finding***

#### **Case Briefs**

Counsel for the complainant maintained its position that a section 20 finding is appropriate and necessary given the influence of the GOC in the Chinese semi-trailer industry due to the combined effect of factors as follows:

- GOC's control over DCVC through SOE shareholders and government appointed management;
- GOC's grants and targeted tax-reduction policies.

Counsel for DCVC claimed that the following flaws existed in CBSA's preliminary determination of section 20 conditions:

- Erroneously conducted an analysis of what is essentially an investigation into steel;
- Complainant's domestic price analyses are incorrect to demonstrate the price distortive effects.

#### **Reply Submissions**

Counsel for Max-Atlas submitted that information from DCVC and from Max-Atlas confirms that steel is the primary raw material used to produce container chassis and accounts for the vast majority of the inputs. Further, counsel for Max-Atlas submits that the domestic sales data submitted by DCVC demonstrates price distortions in the domestic market for container chassis in China.

Counsel for DCVC insisted that the fact that there are two major SOEs present in the CIMC group of companies does not necessarily mean that section 20 conditions exist. They stated that even if certain grants and tax-reduction policies exist, these are not sufficient reasons to warrant a section 20 finding.

#### **CBSA's Response**

The CBSA has considered the arguments submitted by the complainant and DCVC in its section 20 analysis. Specifically, the CBSA examined the proportion of steel material used in the production of container chassis by both DCVC and the complainant. In addition, the CBSA also analyzed DCVC's domestic selling prices of container chassis and compared this information to pricing data available in other competitive markets. Details of the analyses and findings are included in the relevant sections of the section 20 report.<sup>88</sup>

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<sup>88</sup> Exhibit 136 (PRO) – Section 20 Report

## *Surrogate Country Selection*

### **Case Briefs**

Counsel for the complainant submits that the US remains the most appropriate surrogate country for the purpose of determining normal values and cites the following factors:

- The US economy is at a level of economic development similar to that of China on a GDP and GNI basis and both countries have similar levels of exports.
- The US hosts a significant number of producers of container chassis.
- Both countries have significant port, road and rail transportation networks.
- The US is a highly competitive market with strong accounting requirements which provides for reliable data availability.

### **Reply Submissions**

Counsel for DCVC alleges that the CBSA did not adequately attempt to seek and obtain the information necessary to calculate normal values in accordance with the provisions of section 20 as required by SIMA. Their position is that there are more appropriate surrogate countries than the US, and that the US is not a reasonable comparable in terms of domestic selling prices or costs of production.

### **CBSA's Response**

Surrogate Producer RFIs were sent to all known producers of container chassis in Mexico, Turkey and the US. However, no producers responded to the RFI. The CBSA has considered all information on the administrative record and determined that, for reasons discussed earlier in this document, and in the absence of any surrogate producer RFI responses, the US represents the most reasonable surrogate country.

## *Normal Value Data Sources*

### **Case Briefs**

Counsel for DCVC submits that surrogate costing data from Wabash National Corporation (Wabash), is not representative of the prices and cost of production of container chassis and that Wabash's information is not verifiable or comprehensive.

They further submit that surrogate country costing information should not be based on data from a Canadian domestic producer and that it should be based on the data of other producers in an appropriate surrogate country.

## Reply Submissions

Counsel for the complainant submits that US data, particularly data from publicly-traded companies, is generally seen as reliable and that audited US company data filed with the US Securities and Exchange Commission is credible. In addition, they point out that the data provided by the complainant aligns closely with US costing information, given the commercial integration of Canada and the US.

They conclude that the complainant has supplied the CBSA with extensive information relating to the cost of production of various container chassis models which permits the CBSA to use this information as a supplement to the surrogate country costing data on the record.

## CBSA's Response

In accordance with SIMA, where the CBSA finds that the conditions of section 20 exist in the domestic market for like goods, normal values will be determined in accordance sections 20(1)(c) or 20(1)(d). As such, and as is discussed earlier in this document, the CBSA requested information from producers of container chassis in surrogate countries for the purposes of determining normal values in accordance with section 20(1)(c) of SIMA. Further, the CBSA also requested information from importers in Canada with respect to their re-sales of container chassis imported from other countries for the purposes of determining normal values in accordance with section 20(1)(d) of SIMA.

Where normal values cannot be determined in accordance with the provisions of section 20 of SIMA, normal values are determined pursuant to a ministerial specification in accordance with subsection 29(1) of SIMA, on the basis of facts available.

As explained in the Dumping section of this *Statement of Reasons* the CBSA finds the information on which it relied for the purposes of determining normal values to be the best information available.

The CBSA has considered the arguments submitted by counsel for the complaint and by counsel for DCVC. While counsel for DCVC has submitted arguments concerning the appropriateness of using cost information provided by the complainant, they have failed to provide or identify any alternative information with respect to the cost of production of container chassis on the administrative record which could be used for the purposes of determining normal values.

Counsel for DCVC has also argued that surrogate cost information should be based on verified information from a surrogate country. As discussed at length in this document, the CBSA has taken all appropriate measures to seek and obtain reliable and verifiable surrogate country RFI responses. However, there are no surrogate country RFI response on the administrative record.

## **Subsidy Representations**

### ***Double Remedies***

#### **Case Briefs**

Counsel for DCVC argued that the CBSA must consider its WTO obligations which include avoiding double remedies where normal values are determined pursuant to section 20 and countervailing duties are collected.

#### **Reply Submissions**

Counsel for the complainant opposed the allegations that “double counting”, also known as double remedies, exists in the context of these investigations. They went on to argue that SIMA does not provide the authority or option to cease calculating amounts of subsidy in circumstances where the imposition of anti-dumping duties is pursuant to Section 20.

#### **CBSA’s Response**

The CBSA assessed that the complaint met the requirements to initiate a subsidy investigation and a dumping investigation and therefore it proceeded with these investigations concurrently, as provided for in SIMA. In conducting the dumping investigation, the CBSA evaluated the market conditions in the semi-trailer industry in China and concluded that the conditions of paragraph 20(1)(a) of SIMA exist in this sector, which includes container chassis. The CBSA notes that the Appellate Body’s decision in DS379 does not preclude the concurrent application of anti-dumping and countervailing duties where non-market economy dumping methodologies are used.

### ***Countervailable Subsidies and Specificity***

#### **Case Briefs**

Counsel for DCVC submitted in their case brief that a number of programs are not countervailable because they are not specific or are generally available. They asserted that many of the programs are related to supporting companies during the COVID-19 pandemic and that these should be negated because the Government of Canada also provides similar benefits to Canadian companies.

Counsel for DCVC also argued that it is not appropriate for the CBSA to determine an amount of subsidy in the absence of corroborating evidence or due to lack of government response to the Government Subsidy RFI.

Further, it was pointed out by counsel for DCVC in these same case briefs that “The President has also previously determined in UDS 2020 IN that these programs do not appear generally available<sup>89</sup>. It would be utterly inconsistent and arbitrary if the President were to reach the opposite conclusion on the same facts, present in this case.”<sup>90</sup>

### **Reply Submissions**

Counsel for the complainant submitted that due to lack of government responses, the CBSA should continue to determine amounts of subsidy under ministerial specification. They also submitted that due to the nature, title, or other information about certain programs, it pointed to them being not generally available.

### **CBSA’s Response**

The CBSA considered the case arguments and reply submissions provided by counsel for the complainant as well as counsel for DCVC.

The available information indicates that these programs do not appear to be generally available to all enterprises in the country of origin. Additionally, due to the lack of response by the GOC, there is not sufficient information on the administrative record to determine that certain subsidy programs are not specific pursuant to the criteria set out in subsection 2(7.1) of SIMA. Therefore, guided by the principles of subsection 2(7.2) or subsection 2(7.3) of SIMA and basing its opinion on the best information available, the CBSA has taken the position that the subsidy derived from these programs is likely to be specific.

As a result, the CBSA determined an amount of subsidy for the cooperative exporter pursuant to a ministerial specification under subsection 30.4(2) of SIMA.

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<sup>89</sup> *Certain Upholstered Domestic Seating*, “Statement of Reasons – Final Decision” (18 August 2021), Appendix 2 – Subsidy Representations

<sup>90</sup> Exhibit 115 (NC) Paragraph 51 – Case brief filed on behalf of DCVC, CIE, Ocean Trailer and Groupe St-Henry

## **APPENDIX 3 – DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES**

This Appendix consists of descriptions of the subsidy programs that the responding exporter benefited from during the POI and other potentially actionable subsidy programs identified by the CBSA that were not used by the responding exporter during the POI.

Due to the fact that DCVC is the only participating exporter in this investigation, the CBSA is limited in some regards in terms of the level of detail that can be shared since some information was designated as confidential by the exporter.

The CBSA has used the best information available to describe the potentially actionable subsidy programs that were not used by the responding exporter in the current investigation. This includes using information provided by the exporters and related suppliers, information included in the complaint, as well as information obtained from the CBSA's research on potential subsidy programs in China.

The GOC did not respond to the CBSA's Government Subsidy RFI, which limited the CBSA's ability to determine the amount of subsidy in the prescribed manner as the required information relating to financial contribution, benefit and specificity was not provided. Due to a lack of government response, subsidy amounts for the exporter were determined pursuant to subsection 30.4(2) of SIMA, based on a ministerial specification.

To summarize, the CBSA included a list of 27 potential subsidy programs at the initiation of the investigation. The responding exporter, DCVC, was found to have been receiving benefits from a total of 42 programs. Of these programs, four were considered to be from the initial list of 27, while the remaining 38 were considered as programs not previously identified.

### **Subsidy Programs used by the Responding Exporter**

Note that the brief program descriptions below are as provided by the exporter.

#### **CATEGORY 1: PREFERENTIAL LOANS AND LOAN GUARANTEES**

##### **Program 30: Financial Discount for Steady Increase for 2020**

Financial Discount for Steady Increase for 2020 is established on May 18th, 2020, in order to increase financing support for enterprises.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.



### **Program 31: Financial Discount for Technology and Finance Industry**

Financial Discount for Technology and Finance Industry is established on May 13th, 2020, in order to provide financial support for technological innovation.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 37: Reimbursement of Technical Insurance Premium for 2019**

Reimbursement of Technical Insurance Premium for 2019 is established on December 29st, 2018 in order to reduce the risk of technological innovation of enterprises and ease the "financing difficulties" of technological enterprises.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

## **CATEGORY 2: GRANTS AND GRANT EQUIVALENTS**

### **Program 28: Dongguan 2020 Intelligent Upgrading and Reconstruction Program**

Dongguan 2020 Intelligent Upgrading and Reconstruction Program is established on June 18th, 2020, in order to optimize production and sales process, and interconnect production and management data for enterprises.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 32: Cleaning Production Grants**

Cleaning Production Grants is established on October 12th, 2020, in order to encourage the enterprises to enhance environmental coherence.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 33: Technician Workstation Grants**

Technician Workstation Grants is established on May 23rd, 2019, in order to train high-skilled talent for the Company.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 34: Training by Work Grants for 2020**

Work Training Grants is established on November 27th, 2020, in order to improve the work skills of employees.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 36: Grants to Enterprises that Store Goods in Logistics Enterprises located in Bonded Warehouse and Customs Custody Warehouses**

Grants to Enterprises that Store Goods in Logistics Enterprises located in Bonded Warehouse and Customs Custody Warehouses is established on June 20th, 2020 in order to develop the logistics.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 38: Grants to Employment and Unemployment Monitoring Agency**

Grants to Employment and Unemployment Monitoring Agency is established on July 25th, 2019, in order to strengthen analysis of the employment situation in Dongguan.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 39: Support Fund for Dongguan Port Container Terminal Development**

Support Fund for Dongguan Port Container Terminal Development is established on October 19th, 2019 in order to support the development of Dongguan Port Container.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 41: Doubling Plan**

Doubling Plan for 2018 is established on December 25th, 2017 in order to improve the efficiency of the key enterprise.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 45: Online Training for Work Grants for 2020**

Training for Work Grants for 2020 is established on April 15th, 2020, in order to improve the work skills of employees and stabilize employment during the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 46: Electricity Grants for Resumption of Work and Production**

Electricity Grants for Resumption of Work and Production is established February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 47: Grants for Purchase Prevention Supplies**

Grants for Purchase Prevention Supplies is established February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 48: Grants for Establishment Prevention and Isolation facilities**

Grants for Establishment Prevention and Isolation facilities is established February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 49: Grants for Transportation for Key Enterprises to Resume Work and Production**

Grants for Transportation for Key Enterprises to Resume Work and Production is established February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 50: Grants for Transportation for Significant Program to Resume Work and Production**

Grants for Transportation for Significant Program to Resume Work and Production is established February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 51: Grants for Pre-job Training for New Hires**

Grants for Pre-job Training for New Hires is established on February 19th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 52: Grants for Newly Recruited Employees**

Grants for Newly Recruited Employees is established on February 25th, 2020 in order to assist companies to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 54: Grants to support enterprises to explore overseas markets**

Grants for Technical Renovation was established on April 16th, 2019, in order to encourage the enterprises to explore overseas markets.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 55: Grants for Building Innovative Platform**

Grants for Building Innovative Platform was established on March 21st, 2019, in order to encourage the enterprises to innovate.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 56: Grants for Industry-University-Research Collaborative Innovation**

Grants for Technical Renovation is established on April 16th, 2019, in order to encourage the enterprises to upgrade their industries. On June 7th, 2020, in order to further help the enterprises to achieve technological upgrading and production facility transformation, Shenzhen Municipal Bureau of Industry and Information Technology set up a support plan for enterprise technological transformation.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 57: Grants for R&D in 2019**

Grants for R&D in 2019 was established on September 10th, 2019, in order to encourage the enterprises to innovate.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 58: Grants for Technical Renovation**

Grants for Technical Renovation is established on April 16th, 2019, in order to encourage the enterprises to upgrade their industries.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 59: Grants for Enterprise Hiring Impoverished Labours**

Grants for Enterprise hiring impoverished labors is established on September 1st, 2019, in order to solve the employment problem of the impoverished labors.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 61: Grants for Steady Economic Growth in 2020**

Grants for Steady Economic Growth in 2020 was established to encourage the enterprises to upgrade the equipment and increase the production capacity.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 62: Electricity Grants**

Electricity Grants is established on September 28th, 2018, in order to reduce business cost of enterprises.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 67: Grants for Enterprises Delaying the Resumption of Production and Purchase of Prevention Material during the Pandemic**

Grants for Enterprises Delaying the Resumption of Production was established on February 9th, 2020, in order to assist the enterprises to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.



For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 71: Grants for Manufacturing Champion in 2020**

Grants for Manufacturing Champion was established on April 7th, 2020, in order to encourage the enterprises to increase the independent innovation ability.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 72: Grants for Encouraging the Enterprise to be Listed**

Grants for Encouraging the Enterprise to be Listed was established on May 11th, 2018, in order to encourage the enterprise to be listed.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 73: Grants for Overseas Investments in 2020**

Grants for Overseas Investments was established on July 24th, 2020 in order to develop foreign trade.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 76: Grants for Social Insurances to Enterprises above Designated Size**

Grants for Social Insurances to Enterprise Above Designated Size was established on June 22nd, 2020, in order to assistance the enterprises to recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **CATEGORY 3: PREFERENTIAL TAX PROGRAMS**

#### **Program 17: Corporate Income Tax Reduction for New High Tech Enterprises**

Tax Preference for High- and New-Technology Enterprise became into effect on December 29th, 2018.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 40: Income Tax deductions for Enterprises that recruit retired soldiers**

Income Tax deductions for Enterprises that recruit retired soldiers came into effect on January 1st, 2019 in order to encourage employment for retired soldiers.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

## **CATEGORY 4: RELIEF FROM DUTIES AND TAXES**

### **Program 29: Reimbursement of Unemployment Insurance for Enterprises that Have Difficulty in Paying Social Security**

Reimbursement of Unemployment Insurance for Enterprises that have difficulty in paying social security is established on May 5th, 2019, in order to effectively reduce unemployment and stabilize employment.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 35: Reimbursement of Service Fees Charged for the Commissioned Withholding, Collection and Levying of Tax Payments**

Reimbursement of Service Fees Charged for the Commissioned Withholding, Collection and Levying of Tax Payments came into effect on February 2nd, 2019. On March 13rd, 2020, the deadline for declaration of service fees charged for the commissioned withholding, collection and levying of tax payments for the year 2019 has been extended from March 30th, 2020 to May 30th, 2020.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 43: Additional Deduction for the Expenses for Research and Development incurred by Enterprises in the Development of New Technologies, New Products and New Techniques**

Additional Deduction for the Expenses for Research and Development incurred by Enterprises in the Development of New Technologies, New Products and New Techniques became into effect on December 29th, 2018.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 44: Reimbursement of Unemployment Insurance due to Pandemic**

Reimbursement of Unemployment Insurance is established on February 19th, 2020, in order to effectively reduce unemployment and stabilize employment. During the Pandemic, in order to further reduce the burden on enterprises, Dongguan Municipal Bureau of Human Resources and Social Security raised the reimbursement standard.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 60: Reimbursement of Unemployment Insurance**

Reimbursement of Unemployment Insurance was established on November 22nd, 2017, in order to effectively reduce unemployment and stabilize employment.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

#### **Program 68: Reimbursement of Unemployment Insurance for micro, small and medium-sized enterprises in 2020**

Reimbursement of Unemployment Insurance for Enterprises that Have Difficulty in Paying Social Security was established on February 3th, 2020, in order to effectively reduce unemployment and stabilize employment during the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

## **CATEGORY 5: GOOD / SERVICES PROVIDED BY THE GOVERNMENT AT LESS THAN FAIR MARKET VALUE**

### **Program 26: Acquisition of Government Inputs/Utilities for Less than Adequate Remuneration**

The exporter was found to have purchased input materials or utilities from SOEs at prices which are below fair market value.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA. That is, the government provides goods or services, other than general infrastructure, or purchases goods.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

### **Program 65: Exemption for the Land Usage Tax and Property Tax**

Exemption for the Land Usage Tax and Property Tax in the first quarter of 2020 is effective on February 7th, 2020, in order to help enterprises recover from the Pandemic.

For the purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

For the purposes of the final determination, the program may be considered specific pursuant to paragraph 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

**Other Potentially Actionable Subsidy Programs Identified by the CBSA that were not used by the Responding Exporter**

**CATEGORY 1: PREFERENTIAL LOANS AND LOAN GUARANTEES**

**Program 1: Loans from State-Owned Banks at Preferential Rates**

This program relates to government loans at a preferential rate of interest. The benefit provided in this case is a lower rate of interest than would otherwise be available if the enterprises had to obtain a non-guaranteed commercial loan (i.e. the benchmark non-guaranteed commercial loan). Financial institutions may be considered to constitute “government” if they possess, exercise or are vested with government authority, which may be indicated by the following factors:

- Where a statute or other legal instrument expressly vests government authority in the entity concerned;
- Evidence that an entity is, in fact, exercising governmental functions; and
- Evidence that a government exercises meaningful control over an entity.

The 2019 annual report for Chinese chassis producer CIMC, explicitly states that “for the policy-based preferential interest rate loans received by the Group, the entry value of the borrowings shall be the borrowing amount actually received, and the relevant borrowing costs shall be calculated based on the principal of the borrowings and the policy preferential interest rate. The financial interest subsidy directly received by the Group reduces the relevant borrowing costs.”

The CBSA has previously countervailed this program in *Fabricated Industrial Steel Components (FISC)*, *Carbon and Alloy Steel Line Pipe (Line Pipe)*, *Pup Joints*, *Oil Country Tubular Goods (OCTG)*, *Seamless Casing* and *Upholstered Domestic Seating (UDS)*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

## **Program 2: Loan Guarantee through the Government of China/SOE Banks/Public Bodies**

Assurance provided by the GOC, a SOE bank or public body (the guarantor) to assume the debt obligation of a borrower if that borrower defaults. A guarantee can be limited or unlimited, making the guarantor liable for only a portion or all of the debt.

The CBSA has previously countervailed this program in *Large Diameter Carbon and Alloy Steel Line Pipe (Large Diameter Line Pipe)*, *FISC*, *Line Pipe* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

## **Program 3: Debt and Interest Forgiveness on Loans from State-Owned Banks**

To stimulate the economy and support the development of key industries, the state-owned banks write off bad debts or interest owed by SOEs.

The CBSA has previously countervailed this program in *Seamless Casing*. In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they countervailed this program as “Interest Payment Subsidies”.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 4: Preferential Export Financing and Export Credit Guarantee/Insurance**

The China Export & Credit Insurance Corporation (Sinasure) is a state-funded policy-oriented insurance company that was established to promote China's foreign trade and economic cooperation. The China Exim Bank and Sinasure each provide export credit guarantees which, according to information from the Bank, have "played a key role in supporting Chinese companies to go global" and promoted "the export of new and high-tech products".

The CBSA has previously countervailed this program in *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **CATEGORY 2: GRANTS AND GRANT EQUIVALENTS**

##### **Program 5: Insurance Grants**

Local and Provincial Government Reimbursement Grants on Credit Insurance Fees.

The CBSA has previously countervailed this program in *Galvanized Steel Wire, Certain Seamless Casing, OCTG, Pup Joints, Stainless Steel Sinks, Line Pipe, Large Diameter Line Pipe* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

##### **Program 6: Design, Research and Development Grants**

A grant that provides financial aid for enterprises determined to have undertaken expenses in design or research and development.



The CBSA has previously countervailed this program in *Sucker Rods, Copper Tube, Photovoltaic Modules and Laminates, OCTG, Unitized Wall Modules, Seamless Casing, Pup Joints, Decorative and Other Non-Structural Plywood (Plywood)* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

### **Program 7: Export Development Performance Grants**

Companies in China receive such grants provided by the GOC to assist in the development of export markets or to recognize export performance.

The CBSA has previously countervailed this program in *Sucker Rods, OCTG, Unitized Wall Modules, Galvanized Steel Wire, Aluminum Extrusions, Carbon Steel Welded Pipe, Steel Grating, Plywood* and *UDS*.

As per the SOR issued at the OCTG final determination, the program was established in the Circular of the Trial Measures of the Administration of International Market Development Funds for Small and Medium-Sized Enterprises Cai Qi No. 467, 2000, which came into force on October 24, 2000. The program was established to support the development of small and medium-sized enterprises, to encourage SMEs to join in the competition of international markets, to reduce the business risks of the enterprises, and to promote the development of the national economy. The granting authority is the Foreign Trade and Economic Department and the program is administered at the local levels.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they may have countervailed this program as “Export Seller’s Credit” and “Export Buyer’s Credit”.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 8: Performance Award Grants**

A grant that provides financial aid for enterprises with excellent performance.

The CBSA has previously countervailed this program in *Seamless Casing, Aluminum Extrusions, OCTG, Pup Joints, Copper Tube, Line Pipe* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 9: Reductions in Land Use and/or Rental Fees**

This program provides for the reduction in land use fees and rental rates for a certain number of years. Examples of this program in action include: a document titled '[2003] No. 8 Preferential Supply of Land', in order to offset costs for industrial companies in the Ninghai Economic Development Zone; or similar initiatives in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area.

The CBSA has previously countervailed this program in *Stainless Steel Sinks, Unitized Wall Modules, Photovoltaic Modules and Laminates, Seamless Casing, OCTG, Pup Joints, Line Pipe, Plywood* and *UDS*.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they countervailed this program as "Provision of Land Use Rights to SOEs for LTAR".

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted, and confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 10: Grants for the Retirement of Capacity**

The GOC's 12th Five-Year Plan for Energy Conservation and Emission Reduction calls for accelerating and eliminating "backward production capacity" in certain industrial sectors, including the elimination of 48 million metric tonnes of steel production. In 2013, the State Council issued the "Guiding Opinion on Resolving the Problem of Severe Excess Capacity," which called for establishing special funds to accelerate the elimination of backwards capacity and to also support industries with excess production capacity.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 11: Grants for Relocating Production Facilities**

As part of the GOC's 12th Five-Year Steel Development Plan, the GOC has been locating urban based steel producers to locations outside of their current city. The GOC's 12th Five-Year Plan for Energy Conservation and Emission Reduction calls for the relocation for "heavy polluting enterprises" and for measures to optimize the "regional spatial layout" of "key industries," including the steel industry.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they may have countervailed this program as "Other Payments from the State Capital Operating Budget".

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

### **Program 12: Grant - Patent Assistance/Award**

Based on the information available to the CBSA, this program was provided in several provinces, such as Guangdong, Shanghai and Jiangsu.

For example, the GOC document associated with this program for Guangdong province may include: “Administrative Measures of Patent Award of Guangdong Province”. In Guangdong province, this program was administered by the Intellectual Property Office of Guangdong, the Bureau of Personnel of Guangdong Province and municipal level authorities. The program was established to support improvement in technology innovation and to promote intellectual property.

In addition, the GOC document associated with this program for Shanghai may include: “The administrative measures regarding the financial support/subsidy for Patents by Shanghai”. In Jiangsu province, this program was administered by Jiangsu Intellectual Property Office.

The CBSA has previously countervailed this program in *Plywood* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

### **Program 13. Environment Protection Grant**

These are grants provided by the GOC for the purposes of improving environmental performance, for example, monitoring and cleaning pollutants, improving energy efficiency, upgrading facilities to be more environmentally efficient, and waste water treatment.

The CBSA has previously countervailed this program in *Copper Tube* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

### **CATEGORY 3: PREFERENTIAL TAX PROGRAMS**

#### **Program 16. Corporate Income Tax Exemption and/or Reduction in Special Economic Zones (SEZs) and Other Designated Areas**

This program was established under the Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, which came into effect on July 1, 1991. The program was allegedly established to absorb investment in special economic zones (SEZs) and designated areas to take the lead in their economic development. The granting authority responsible for this program is allegedly the State Administration of Taxation and the program is administered by local tax authorities.

Under this program, it is alleged that eligible enterprises may receive a reduced corporate income tax rate of 15%.

Under Article 57 of the Enterprise Income Tax Law in China and the “notification of the State Council on Providing Transitional Preferential Tax Treatments to High-Tech Enterprises Newly Set Up in Special Economic Zones and in the Pudong New District of Shanghai,” the GOC exempts HNTes from income taxes for the first two years after earning a profit from production, and pay only half of the standard tax rate for the next three years if located in a special economic zone (i.e., the Hainan, Shantou, Shenzhen, Xiamen, Zhuhai) or the Pudong New District of Shanghai. Certain container chassis producers are located in some of these special economic zones and, thus, are eligible for this subsidy.

The CBSA has previously countervailed this program in *Aluminum Extrusions, Carbon Steel Welded Pipe, OCTG, Seamless Casing, Line Pipe* and *UDS*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 18. Municipal/Local Income or Property Tax Reductions**

The CBSA has previously countervailed this program in *Stainless Steel Sinks, Unitized Wall Modules, Photovoltaic Modules and Laminates, Line Pipe* under the title “Reduction, Exemption or Refund of Land Use Fees, Land Rental Rates, and Land Purchase/Transfer Prices.”

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 19. Preferential Tax Policies for Foreign-Invested Enterprises (FIEs)**

Despite the implementation of the new Enterprise Income Tax Law (EITL) in 2008, which officially superseded the old FIE Tax Law, FIEs have likely continued to benefit from various incentives that were provided under the older Foreign-Invested Enterprise Tax Law (FIE Tax Law). Specifically, Article 9 of the FIE Tax Law delegates to China’s provincial and local governments the authority to provide exemptions and reductions of local income taxes for “productive” FIEs. Eligibility criteria vary by province and the relevant governmental authorities administer the application process.

The CBSA has previously countervailed this program in *Pup Joints and Seamless Casing*. Further, the GOC has listed this title in its notification of subsidy programs to the WTO.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 20. Preferential Tax Policies Related to Research and Investment**

Under this program based on the 2008 corporate tax law, high- or new-technology enterprises may deduct 50 percent of their total R&D expenses from their taxable income. Eligible expenses include design costs, expenses for materials and fuel consumed through R&D activities, wages, salaries, and benefits for personnel engaged in R&D activities, depreciation expenses on instruments and equipment, and many other expenses.

The CBSA has previously countervailed this program in *Photovoltaic Modules and Laminates*, *Seamless Casing*, *OCTG*, *Pup Joints*, *Plywood* and *UDS*. Further, the GOC has listed this title in its notification of subsidy programs to the WTO.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they countervailed this program as “Tax Offsets for Research and Development under the Enterprise Income Tax Law of the People’s Republic of China (EIT)”.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **Program 21. Tax Incentives to Develop the Qianhai Cooperation Zone**

It is alleged that Chinese chassis producers have benefitted extensively from this tax program. In 2012, Shenzhen launched a plan to create “one of the world’s largest logistics centres” and aimed to lure companies with “tax incentives, bank loans and other preferential policies.” Shenzhen has tax incentives in place to develop the Qianhai Cooperation Zone to include a “modern logistics” zone as it considers the logistics industry to be a pillar industry.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they may have countervailed this program as “Other Payments from the State Capital Operating Budget”.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

#### **CATEGORY 4: RELIEF FROM DUTIES AND TAXES**

##### **Program 22. Offsets to Taxable Income Related to Purchases of Domestic Machinery**

Under this program, a tax credit up to 40% of the purchase price of domestic equipment may apply to the incremental increase in tax liability from the previous year. The legal bases of this program are the provisional measures on enterprise income tax credit for investment in domestically produced equipment for technology renovation projects of July 1, 1999 and the Notice of the State Administration of Taxation on Stopping the Implementation of the Enterprise Income Tax Deduction and Exemption Policy of the Investments of an Enterprise in Purchasing Home-made Equipment, No. 52 [2008] of the State Administration of Taxation, effective January 1, 2008.

The CBSA has previously countervailed this program in *Aluminum Extrusions, Photovoltaic Modules and Laminates, Seamless Casing, OCTG, and Pup Joints*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

The non-confidential version of DCVC's Subsidy RFI response indicates that the Chinese regulation mentioned in this question was abolished by the Ministry of Finance of the GOC in 2011. Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.



### **Program 23. Exemption or Refund of Tariff and Import Value-Added Tax (VAT) for Imported Technologies and Equipment**

The program was established to absorb investment in SEZs and encourage districts to take the lead in development. The granting authority responsible for this program is the General Administration of Customs and this program is administered by local customs authorities. Under this program, machinery and equipment, spare parts, raw and semi-processed materials, means of transportation and other capital goods necessary for production that are imported by enterprises in SEZs shall be exempted from import duties.

The CBSA has previously countervailed this program in *Photovoltaic Modules and Laminates, Unitized Wall Modules, Seamless Casing, Pup Joints, and Line Pipe*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

### **Program 24. Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs**

Under a duty drawback program, a subsidy may exist where the amount of duties and taxes relieved or refunded on inputs incorporated into exported goods is found to be in excess of the actual liability that existed on those imports.

The CBSA has previously countervailed this program in *Photovoltaic Modules and Laminates, Seamless Casing, OCTG and Pup Joints*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

## **Program 25. Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring**

The GOC imposes a deed tax on transfers of land and real estate. In the context of an ownership transfer by means of an asset sale, as opposed to a stock sale, a deed tax of three to five percent is levied on the amount of the purchase price, and the purchaser is responsible for paying the tax. The GOC's "Notice of the Ministry of Finance and the State Administration of Taxation on Several Deed Tax Policies Concerning Enterprise Reorganization and Restructuring," exempts this deed tax where the transfer of ownership occurs as part of the restructuring or merger of an SOE.

In a recent investigation by the USDOC into *Chassis and Subassemblies* from China, it appears that they countervailed this program as "Government-Directed Debt Restructuring".

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

## **CATEGORY 5: GOOD / SERVICES PROVIDED BY THE GOVERNMENT AT LESS THAN FAIR MARKET VALUE**

### **Program 27. Provision of Land for Less than Adequate Remuneration by Government**

All land in China belongs to the government (i.e., either national or local governments, or through a "collective" at the township or village level), and government land agencies across China control the allocation of land through the granting of land-use rights.

The CBSA has previously countervailed this program in *Line Pipe* and *Large Diameter Line Pipe*.

For purposes of the final determination, this program may be considered a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are reduced and/or exempted that confer a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.