



OTTAWA, July 2, 2025

**PETR2 2025 IN**

## **STATEMENT OF REASONS**

**Concerning the preliminary determinations with respect to the dumping and subsidizing of**

### **POLYETHYLENE TEREPHTHALATE RESIN ORIGINATING IN OR EXPORTED FROM CHINA AND PAKISTAN**

### **DECISION**

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the Canada Border Services Agency made preliminary determinations on June 17, 2025, respecting the dumping of polyethylene terephthalate resin originating in or exported from the People's Republic of China and the Islamic Republic of Pakistan, and the subsidizing of polyethylene terephthalate resin originating in or exported from the People's Republic of China.

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

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## TABLE OF CONTENTS

SUMMARY .....	1
PERIOD OF INVESTIGATION .....	2
INTERESTED PARTIES .....	2
PRODUCT INFORMATION .....	3
DEFINITION .....	3
ADDITIONAL PRODUCT INFORMATION .....	4
PRODUCTION PROCESS .....	6
CLASSIFICATION OF IMPORTS .....	6
LIKE GOODS AND CLASS OF GOODS .....	7
THE CANADIAN INDUSTRY .....	7
DOMESTIC PRODUCERS .....	7
IMPORTS INTO CANADA .....	8
INVESTIGATIONS PROCESS .....	8
DUMPING INVESTIGATION .....	9
NORMAL VALUE .....	9
EXPORT PRICE .....	9
MARGIN OF DUMPING .....	10
BACKGROUND OF SECTION 20 INQUIRY .....	10
SUMMARY OF CHINESE EXPORTER RESPONSES .....	12
GOVERNMENT OF CHINA RESPONSE .....	12
SURROGATE COUNTRY RESPONSES .....	12
PRELIMINARY RESULTS OF THE SECTION 20 INQUIRY .....	12
Preliminary Results of the Dumping Investigation .....	13
ALL EXPORTERS – CHINA .....	13
ALL EXPORTERS – PAKISTAN .....	13
SUMMARY OF PRELIMINARY RESULTS – DUMPING .....	14
NEGLIGENCE .....	14
INSIGNIFICANCE .....	14
Subsidy Investigation .....	15
Preliminary results of the subsidy investigation .....	16
ALL EXPORTERS – CHINA .....	17
SUMMARY OF PRELIMINARY RESULTS – SUBSIDY .....	17
NEGLIGENCE .....	18
INSIGNIFICANCE .....	18
Decisions .....	18
Provisional duty .....	18
FUTURE ACTION .....	19
THE CANADA BORDER SERVICES AGENCY .....	19
THE CANADIAN INTERNATIONAL TRADE TRIBUNAL .....	19
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS .....	20
UNDERTAKINGS .....	20
PUBLICATION .....	21
INFORMATION .....	22
APPENDIX 1 – SUMMARY OF ESTIMATED MARGINS OF DUMPING, ESTIMATED AMOUNT OF SUBSIDY AND PROVISIONAL DUTIES PAYABLE .....	23
Appendix 2 – summary of preliminary findings for subsidy programs .....	24

Category 1: Preferential loans and loan guarantees .....	24
PROGRAM 1: LOANS FROM STATE-OWNED BANKS AT PREFERENTIAL RATES .....	24
PROGRAM 2: POLICY LOANS TO THE PET RESIN INDUSTRY .....	25
PROGRAM 3: PREFERENTIAL EXPORT FINANCING AND EXPORT CREDIT GUARANTEE/INSURANCE	25
PROGRAM 4: SICHUAN PROVINCE INDUSTRIAL INVESTMENT GUIDANCE FUND.....	26
Category 2: Grants and grant equivalents .....	26
PROGRAM 5: FOREIGN TRADE DEVELOPMENT FUND GRANTS .....	26
PROGRAM 6: FOREIGN ECONOMIC AND TRADE DEVELOPMENT SUPPORT FUNDS .....	26
PROGRAM 7: EXPORT ASSISTANCE GRANTS & OTHER EXPORT DEVELOPMENT PERFORMANCE	
GRANTS .....	27
PROGRAM 8: DESIGN, RESEARCH AND DEVELOPMENT GRANTS .....	27
PROGRAM 9: ENERGY CONSERVATION AND EMISSION REDUCTION GRANT .....	28
PROGRAM 11: STATE AID TO PROMOTE THE CONTINUED RECOVERY OF SICHUAN PROVINCE’S	
ECONOMY .....	29
PROGRAM 12: MEASURES TO PROMOTE ENERGY EFFICIENCY AND ENVIRONMENTAL PROTECTION	
IN SHENZHEN’S INDUSTRIAL CLUSTERS .....	29
PROGRAM 13: ENERGY SAVINGS TECHNOLOGY REFORM PROGRAM .....	30
Category 3: Preferential tax programs .....	30
PROGRAM 14: CORPORATE INCOME TAX REDUCTION FOR NEW HIGH TECH	
ENTERPRISES (“NHTE”) .....	30
PROGRAM 15: PREFERENTIAL TAX POLICIES RELATED TO RESEARCH AND INVESTMENT .....	30
PROGRAM 16: GENERAL-BENEFIT TAX EXEMPTION FOR MICRO AND SMALL ENTERPRISES .....	31
PROGRAM 17: PREFERENTIAL TAX POLICIES IN THE WESTERN REGIONS.....	31
PROGRAM 18: PREFERENTIAL TAX POLICIES FOR ENTERPRISES ESTABLISHED IN SPECIAL	
ECONOMIC ZONES (SEZs).....	32
Category 4: Relief from duties and taxes.....	32
PROGRAM 19: OFFSETS TO TAXABLE INCOME RELATED TO PURCHASES OF DOMESTIC MACHINERY	
.....	32
PROGRAM 20: IMPORT TARIFF EXEMPTIONS ON IMPORTED EQUIPMENT IN ENCOURAGED	
INDUSTRIES .....	33
PROGRAM 21: MUNICIPAL/LOCAL INCOME OR PROPERTY TAX REDUCTIONS .....	33
PROGRAM 22: TAX-BASED ADDITIONAL DEDUCTIONS FOR R&D EXPENSES.....	33
PROGRAM 23: PREFERENTIAL TAX TREATMENT FOR DUTIABLE OILS USED IN THE PRODUCTION OF	
ETHYLENE .....	34
Category 5: Good / services provided by the government at less than fair market value.....	34
PROGRAM 24: ACQUISITION OF GOVERNMENT INPUTS/UTILITIES AT LESS THAN FAIR MARKET	
VALUE .....	34
PROGRAM 25: PROVISION OF LAND FOR LESS THAN ADEQUATE REMUNERATION BY GOVERNMENT	
.....	34

## SUMMARY

[1] On January 27, 2025, the Canada Border Services Agency (CBSA) received a written complaint from Compagnie Alpek Polyester Canada (Alpek) (Montreal, QC) (hereinafter, the complainant) alleging that imports of Polyethylene Terephthalate (PET) resin originating in or exported from the People's Republic of China (China) and the Islamic Republic of Pakistan (Pakistan) are being injuriously dumped, and PET resin originating in or exported from China are being injuriously subsidized.

[2] On February 17, 2025, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. On February 27, 2025, the CBSA informed the Government of China (GOC) that a properly documented complaint had been filed. At that time, the GOC was provided with a non-confidential version of the subsidy complaint and was invited for consultations pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*, prior to the initiation of the subsidy investigation. The CBSA did not receive any request for consultations. On March 12, 2025, the CBSA informed the Government of Pakistan that a properly documented complaint had been filed.

[3] The complainant provided evidence to support the allegations that certain PET resin from China and Pakistan have been dumped, and that certain PET resin from China has been subsidized, as well as evidence that discloses a reasonable indication that the dumping and subsidizing have caused injury or are threatening to cause injury to the Canadian industry producing like goods.

[4] On March 19, 2025, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of certain PET resin from China and Pakistan, and initiated an investigation respecting the subsidizing of certain PET resin 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 May 20, 2025, 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 PET resin from China and Pakistan have caused injury to the domestic industry.

[7] On June 17, 2025, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping of PET resin originating in or exported from China and Pakistan, and subsidizing of PET resin originating in or exported from China.

[8] On the same date, pursuant to subsection 8(1) of SIMA, provisional duties were imposed on imports of dumped and/or 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.

## **PERIOD OF INVESTIGATION**

[9] The Period of Investigation (POI) for the investigations is January 1, 2024 to December 31, 2024.

## **INTERESTED PARTIES**

### **Complainant**

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

Compagnie Alpek Polyester Canada  
3498 Broadway,  
Montreal East (QC) H1B 5B4

### **Other Producers**

[11] The complainant stated that they are the only producer of PET resin.<sup>1</sup> The CBSA did its own supplementary research, but could not identify any other producers in Canada.

### **Trade Union**

[12] The complainant identified Unifor Québec, Local 2005 as the union of which Alpek employees are members.<sup>2</sup>

### **Exporters**

[13] At the initiation of the investigations, the CBSA identified 52 potential exporters and/or producers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential exporters were asked to respond to the CBSA's Dumping Request for Information (RFI). Exporters and producers of subject goods in China were asked to respond to the CBSA's Subsidy RFI and Section 20 RFI.

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<sup>1</sup> Exhibit 2 - PETR2 Complaint (NC), para. 68

<sup>2</sup> Exhibit 2 - PETR2 Complaint (NC), para. 18

[14] One exporter, Novatex Limited from Pakistan provided a response to the dumping RFI<sup>3</sup>. However, their response was found to be deficient for the purposes of the preliminary determination.

## **Importers**

[15] At the initiation of the investigations, The CBSA identified 35 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential importers were asked to respond to the CBSA's Importer RFI.

[16] Three importers provided a response to the importer RFI, G-Pac Corporation, Canada Colours and Chemicals Ltd., and Lucid Corp.<sup>4</sup>

## **Government**

[17] Upon initiation of the investigation, the GOC was sent the CBSA's Government Subsidy RFI and the Government Section 20 RFI. The GOC did not respond to both the government subsidy RFI and the government section 20 RFI.

[18] For the purposes of this investigation, the 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**

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

Polyethylene terephthalate ("PET") resin having an intrinsic viscosity of at least 0.70 deciliters per gram but not more than 0.88 deciliters per gram, including PET resin that contains various additives introduced in the manufacturing process, as well as blends of virgin PET resin and recycled PET, originating in or exported from the People's Republic of China and the Islamic Republic of Pakistan, and excluding 100% recycled PET resin.

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<sup>3</sup> Exhibit 45 – Exporter RFI Response (NC)

<sup>4</sup> Exhibits 30, 34 & 36 – Importer RFI Response (NC)

## ADDITIONAL PRODUCT INFORMATION<sup>5</sup>

[20] PET is a clear, strong and lightweight plastic belonging to the polyester family. PET is typically called polyester chip when used for fibers or fabrics and “PET” or “PET resin” when used for bottles, jars, containers and packaging applications.

[21] Polyester chip is essentially the same material as textile grade PET resin in chip form. When used for fabrics and fibers, PET is typically referred to as “polyester”. The main difference lies in the terminology and specific formulation. “Textile grade PET resin” emphasizes its intended use in the textile industry and in some contexts may refer to PET resin in both flake and chip form, whereas “polyester chip” refers to the physical form of the material before it is processed into fibers. However, both terms describe the same base material (PET) tailored for use in textile applications, with properties optimized for fiber production and textile performance, and with an intrinsic viscosity below 0.70.

[22] Polyester is a polymer whose name comes from “poly” meaning many, and ester is a functional group obtained by the reaction of a carboxylic acid and an alcohol. The main inputs used in the production of PET resin are terephthalic acid (“TPA” or “PTA”, which refers to purified TPA) and monoethylene glycol (“MEG”), whose reaction results in the chemical structure of polyester.

[23] PET resin is primarily sold in bulk form as chips or pellets to downstream users/converters. Typically, PET resin is spherical or cylindrical in size. PET resin is a thermoplastic, which softens upon heating and can be made to flow under stress repeatedly. When cooled it regains its solid nature.

[24] Consumers identify containers produced with PET resin by the triangular recycle symbol with the #1 resin identification code and either PET or PETE written underneath.

[25] The product definition includes an intrinsic viscosity (IV) range. One of the most important characteristics of PET is referred to as IV. The IV of the material is measured in decilitres per gram (dl/g). IV is a measure of the polymer’s molecular chain length and molecular weight. IV reflects the material’s melting point, crystallinity and tensile strength. A higher IV means a tougher polymer.

[26] The IV is used as part of the specification to select the right grade of PET for a particular application. Packaging grade PET resin has a higher IV, generally greater than 0.70 deciliters per gram. Polyester used in fiber as fill and in textile industries has a lower IV, generally less than 0.70 deciliters per gram, and is clear rather than white.

[27] PET resin may contain some recycled material, although PET resin for packaging end uses (i.e. meeting the product definition parameters of 0.70 to 0.88 IV) generally ranges from a recycled content of 20% and up to 50% recycled content, but could include up to 99% recycled content.

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<sup>5</sup> Exhibit 2 - PETR2 Complaint (NC), para. 18

[28] PET resin containing recycled content is sometimes referred to as “rPET”. It is important to note that some material that is referred to as rPET may be 100% recycled material, which does not meet the product definition in this complaint. The 100% recycled poly (ethylene terephthalate) resin is obtained through the simple process of recovery and recycling post-consumption mainly of PET bottles, which is often referred to as 100% rPET (post-consumer resin).

[29] The 100% rPET and PET resin production processes differ materially. The production of 100% rPET involves mechanical operations, including waste/scrap separation, washing, grinding and cutting functions. In contrast, the production of PET resin meeting the product definition in the complaint involves primarily chemical reaction processes. 100% rPET, in contrast to the PET resin meeting the product definition, is produced without any chemical conversion. 100% rPET is significantly more expensive to produce compared to PET resin. Producers of 100% rPET do not have the necessary equipment to produce PET resin with virgin content.

[30] PET resin (or vPET) production requires advanced, highly automated equipment for polymerization reactions, as well as equipment for synthesizing PET from raw materials like TPA and MEG (or EG).

[31] rPET production utilizes specialized recycling equipment, including:

- Debalers to unpack compressed PET bottle bundles;
- Trommels to remove small contaminants;
- Conveyor belts for material transport;
- Plastic crushers to break down bottles into flakes;
- De-labellers to remove labels;
- Sink/float separation tanks for density-based separation; and
- Specialized washing and drying equipment.

[32] Finally, rPET production requires extruders with vacuum degassing and melt filtration systems, and then solid-state polymerization reactors to increase molecular weight and IV of rPET.

[33] 100% rPET used in bottling and packaging for food and beverage use applications, as with all packaging materials used in the sale of food and beverage, must comply with Division 23 of the *Food and Drug Regulations*. Health Canada’s Health Protection Branch conducts evaluations on the chemical safety of PET resin and will issue a “no objection letter” to food packaging suppliers for specified food packaging end uses, including the use of recycled materials for food packaging. Imported PET resin is held to the same Health Canada standards as domestic producers.

[34] PET resin may be processed into “PET preforms”, which is an intermediate product made of PET resin. It is a small, tube-like structure that serves as the initial stage in producing plastic bottles and containers. The production of preforms would therefore require subject good inputs but preforms themselves are not subject goods.

## **PRODUCTION PROCESS<sup>6</sup>**

[35] The primary inputs for PET resin are MEG and PTA. There is an alternative industrial manufacturing process using dimethyl terephthalate, however this process is largely obsolete in favour of the more modern PTA process.

[36] PET resin manufacturing generally consists of the following steps:

1. Slurry Preparation – The MEG and PTA are mixed into a slurry at their desired concentrations.
2. Esterification – The slurry is heated at atmospheric pressure and reacts to form monomer.
3. Additive Injection – Functional Additives, catalysts, and co-monomers are added to the monomer solution.
4. Polymerization – Under vacuum and high temperature, the monomer reacts with itself in the presence of the catalyst to form an amorphous base polymer, with a chain length of approximately 100 units. The IV at this point in the process is approximately 0.50-0.65 dL/g.
5. Pelletizing – The base polymer is then quenched in water and cut into small pellets.
6. Crystallization and Reaction – The polymer pellets are heated and fed into a reactor where the polymer continues to increase its chain length, building up the IV of the pellets to the desired value, typically those found in the product definition.

## **CLASSIFICATION OF IMPORTS**

[37] The subject goods are normally imported under the following tariff classification numbers:

3907.61.00.00      3907.69.00.10      3907.69.00.80      3907.69.00.90

[38] 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>6</sup> Exhibit 2 - PETR2 Complaint (NC), paras. 36-52

## LIKE GOODS AND CLASS OF GOODS<sup>7</sup>

[39] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods as “... (a) goods that are identical in all respects to the other goods, or (b) in the absence of any such goods..., goods the uses and other characteristics of which closely resemble those of the other goods.” In considering the issue of like goods, the Canadian International Trade Tribunal (CITT) typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics, and whether the domestic goods fulfill the same customer needs as the subject goods.

[40] With respect to the definition of like goods, the complainant stated that the like and subject goods in this case are commodity products that compete with one another in the Canadian marketplace and are fully interchangeable with respect to key considerations including product quality, technical specifications, qualification by customers, reliability of supply and packaging. As a result, purchasing decisions are made primarily on the basis of price.

[41] For the purposes of this analysis, like goods consist of domestically produced PET resin described in the product definition.

[42] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject goods and like goods constitute only one class of goods.

[43] In its preliminary injury inquiry for these investigations, the CITT further reviewed the matter of like goods and classes of goods. On June 4, 2025 the CITT issued its preliminary inquiry *Statement of Reasons*, indicating that:

*“No information on the record leads the Tribunal to believe that there is more than a single class of goods.”*<sup>8</sup>

## **THE CANADIAN INDUSTRY**

### **DOMESTIC PRODUCERS**

[44] Besides the complainant, there are no other known producers of subject PET resin in Canada. The CBSA conducted independent research but could not identify any other producers in Canada. Based on the available evidence, the CBSA is satisfied that the complainants account for all known production of like goods produced in Canada

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<sup>7</sup> Exhibit 2 - PETR2 Complaint (NC), paras. 71-73

<sup>8</sup> Canadian International Trade Tribunal; Preliminary Injury Inquiry – Polyethylene Terephthalate – *Statement of Reasons* (June, 2025), PI-2024-005, para. 20

## IMPORTS INTO CANADA

[45] During the preliminary phase of the investigations, the CBSA refined the estimated volume and value of imports based on information from CBSA import entry documentation and other information received from exporters and importers.

[46] The following table presents the CBSA's analysis of imports of PET resin for the purposes of the preliminary determinations:

**Table 1:**  
**Import volume of PET Resin**  
(January 1, 2024 to December 31, 2024)

Country	% of total import volume
China	42.4%
Pakistan	22.5%
Other	35.1%
<b>Total</b>	<b>100%</b>

## INVESTIGATIONS PROCESS

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

[48] 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 PET resin 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.

[49] 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 dumping and/or countervailing duties on subject goods being based on facts available to the CBSA. Further, they were notified that determinations on the basis of facts available could be less favorable to them than if complete, verifiable information was made available.

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

[51] For the responding parties that did not provide complete information, deficiency letters were sent, in order to notify them that information was missing and that without the missing information, preliminary determinations would be made on the basis of facts available.

[52] Preliminary determinations are based on the information available to the CBSA at the time of the preliminary determinations. During the final phase of the investigations, the CBSA will continue to collect and verify information, the results of which will be incorporated into the CBSA's final decisions, which must be made by September 15, 2025.

## **DUMPING INVESTIGATION**

### **NORMAL VALUE**

[53] Normal values are generally estimated based on the domestic selling prices of like goods in the country of export, in accordance with the methodology of section 15 of SIMA, or on the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, plus a reasonable amount for profits, in accordance with the methodology of paragraph 19(b) of SIMA.

### **EXPORT PRICE**

[54] The export price of goods sold to importers in Canada is generally estimated 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.

[55] Where there are sales between associated persons and/or a compensatory arrangement exists, the export price is estimated based on the importer's resale price of the imported goods in Canada to unrelated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that are additional to those incurred on the sales of like goods for use in the country of export, all costs included in the resale price that are incurred in reselling the goods (including duties and taxes) or associated with the assembly of the goods in Canada and an amount representative of the average industry profit in Canada as provided for in paragraphs 25(1)(c) and 25(1)(d) of SIMA.

## MARGIN OF DUMPING

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

## BACKGROUND OF SECTION 20 INQUIRY

[57] 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>9</sup>

[58] The CBSA initiates dumping investigations on the presumption that section 20 is not applicable to the sector under investigation unless there is information that suggests otherwise.

[59] A section 20 inquiry refers to the process whereby the CBSA collects information from various sources in order to form an opinion as to whether the conditions described under subsection 20(1) of SIMA exist with respect to the sector under investigation. Before initiating an inquiry under section 20, the CBSA must first analyze the information submitted in the complaint and the evidence it has gathered independently to determine if it is sufficient to warrant the initiation of an inquiry.

[60] The complainant alleges that the conditions described in section 20 of SIMA prevail in the polyester sector in China. That is, the complainant alleges that this industry sector in China does not operate under competitive market conditions and consequently, the domestic prices of PET resin established in China, would not be reliable for determining normal values.

[61] The complainant provided a variety of evidence to support the claim that the GOC substantially determines domestic prices of PET resin and that the prices are substantially different than they would be in a competitive market. Specifically, the complainant cited specific policies implemented by the GOC and provided evidence of state-ownership and subsidization in the polyester, petrochemical and chemical sectors.

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<sup>9</sup> China is a prescribed country under Section 17.1 of the *Special Import Measures Regulations*.

[62] At the initiation of the investigation, the CBSA had reviewed the information provided in the complaint and conducted its own research. Based on this information, the CBSA believed that there was reasonable evidence to support an inquiry into the allegations that the measures taken by the GOC substantially influence prices in the polyester sector in China, and that the prices are substantially different than they would be in a competitive market.

[63] Consequently, on March 19, 2025, the CBSA included in its investigation, a section 20 inquiry in order to determine whether the conditions set forth in paragraph 20(1)(a) of SIMA prevail in the polyester sector in China.

[64] As part of this section 20 inquiry, the CBSA sent section 20 RFIs to all potential producers and exporters of PET resin in China, as well as to the GOC, requesting detailed information related to the polyester sector in China.

[65] In cases where conditions of section 20 exist, pursuant to paragraph 20(1)(c), the normal value can be determined based on profitable selling prices or full costs of production and an amount for profit on goods sold domestically in a surrogate country, to which the conditions described in section 20 of SIMA are not applicable.

[66] For the purposes of obtaining information necessary to calculate normal values pursuant to subparagraph 20(1)(c) of SIMA, the CBSA requested information from producers in surrogate countries. As such, the CBSA has selected Mexico and Pakistan as potential surrogate countries and has sent questionnaires to known producers of PET resin in these countries.

[67] In the event that the CBSA does not receive sufficient information from producers and exporters of subject goods in Mexico or Pakistan for the purposes of determining normal values pursuant to section 20, the CBSA may identify other surrogate countries at a later date.

[68] Importers will be requested to provide information on sales of like goods produced in the surrogate countries, in the event that normal values must be determined under paragraph 20(1)(d) of SIMA.

[69] In the event that the CBSA forms an opinion that domestic prices of PET resin in China are substantially determined by the government, and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be if they were determined in a competitive market, the normal values of the goods under investigation will be determined, pursuant to paragraph 20(1)(c) of SIMA, where such information is available, on the basis of the domestic selling prices or the aggregate of the cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits of like goods sold by producers in any country designated by the CBSA and adjusted for price comparability; or, pursuant to paragraph 20(1)(d) of SIMA, where such information is available, on the basis of the selling price in Canada of like goods produced and imported from any country designated by the CBSA and adjusted for price comparability.

#### **SUMMARY OF CHINESE EXPORTER RESPONSES**

[70] The CBSA did not receive any responses to the CBSA's Dumping RFI or Section 20 RFI from exporters/producers of PET resin in China.

#### **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 as of the date of the preliminary determination of dumping.

#### **SURROGATE COUNTRY RESPONSES**

[72] The CBSA received one response to the surrogate RFI by Alpek Polyester Mexico.<sup>10</sup>

#### **PRELIMINARY RESULTS OF THE SECTION 20 INQUIRY**

[73] As no exporters in China participated in the CBSA's dumping investigation, for the purposes of the preliminary determination, there was insufficient information for the CBSA to form an opinion with respect to section 20 of SIMA. During the final phase of the dumping investigation, the CBSA will continue the section 20 inquiry and further analyze all information on the administrative record.

[74] Consequently, the normal values and the export prices for all exporters in China were estimated, based on the methodology explained in the section below entitled "All Exporters - China".

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<sup>10</sup> Exhibit 53 – Surrogate Country RFI Response (NC)

## **PRELIMINARY RESULTS OF THE DUMPING INVESTIGATION**

[75] For the purposes of the preliminary determination, the CBSA did not receive any complete responses to the Dumping RFI. As such, for all exporters both in China and Pakistan, the normal values and export prices were estimated on the basis of the facts available.

### **ALL EXPORTERS – CHINA**

[76] The CBSA did not receive any dumping RFI response from exporters of PET resin located in China. The CBSA estimated the normal values and export prices for China on the basis of facts available. In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry and the CBSA's estimates at the initiation of the investigation.

[77] As a result, based on the facts available, for all exporters and for purposes of the preliminary determination, normal values and export prices of subject goods originating in or exported from China were based on the CBSA's initiation estimates of normal values and export prices. The CBSA examined the difference between the estimated normal value and the estimated export price for each quarter, and considered that the highest amount (expressed as a percentage of the export price), was an appropriate basis for estimating normal values.

[78] Using the above methodologies, for the preliminary determination, the estimated margin of dumping for all exporters in China is 71.4%, expressed as a percentage of the export price.

### **ALL EXPORTERS – PAKISTAN**

[79] The CBSA did not receive any complete RFI response from exporters of PET resin located in Pakistan. The CBSA estimated the normal values and export prices for Pakistan on the basis of facts available. In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry and the CBSA's estimates at the initiation of the investigation.

[80] As a result, based on the facts available, for all exporters and for purposes of the preliminary determination, normal values and export prices of subject goods originating in or exported from Pakistan were based on the CBSA's initiation estimates of normal values and export prices. The CBSA examined the difference between the estimated normal value and the estimated export price for each quarter, and considered that the highest amount (expressed as a percentage of the export price), was an appropriate basis for estimating normal values.

[81] Using the above methodologies, for the preliminary determination, the estimated margin of dumping for all exporters in Pakistan is 84.5%, expressed as a percentage of the export price.

**SUMMARY OF PRELIMINARY RESULTS – DUMPING**

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

**Table 2:**  
**Summary of Preliminary Results - Dumping**  
 Period of Investigation (January 1, 2024 to December 31, 2024)

<b>Country of Origin or Export</b>	<b>Estimated Margin of Dumping (% of Export Price)</b>	<b>Estimated % of Total Imports (by Volume)</b>
All Exporters - China	71.4%	42.4%
<b>Total China</b>	<b>N/A</b>	<b>42.4%</b>
All Exporters - Pakistan	84.5%	22.5%
<b>Total Pakistan</b>	<b>N/A</b>	<b>22.5%</b>
All Other Countries	N/A	35.1%
<b>All Countries</b>	<b>N/A</b>	<b>100%</b>

**NEGLIGENCE**

[83] Under section 35 of SIMA, the CBSA is required to terminate an investigation prior to the preliminary determination if the volume of goods of a country is negligible.

[84] Pursuant to subsection 2(1) of SIMA, the volume of goods of a country is considered negligible if it accounts for less than 3% of the total volume of all goods of the same description that are released into Canada from all countries.

[85] The table above confirms that the volume of imports from China and Pakistan are both above 3% of the total volume of goods released into Canada. Based on the definition above, the volume of imports from China and Pakistan are not negligible.

**INSIGNIFICANCE**

[86] If, in making a preliminary determination, the CBSA determines that the margin of dumping of the goods of an exporter is insignificant pursuant to section 38 of SIMA, the investigation will continue in respect of those goods but provisional anti-dumping duties will not be imposed on goods of the same description imported during the provisional period. Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price of the goods is defined as insignificant.

[87] For all exporters, both in China and Pakistan, the estimated margin of dumping, expressed as a percentage of the export price, is above 2% and is, therefore, not insignificant. In respect of these goods, provisional anti-dumping duties will be imposed on goods of the same description imported during the provisional period.

[88] A summary of the estimated margins of dumping and provisional duties by exporter is presented in **Appendix 1**.

## **SUBSIDY INVESTIGATION**

[89] In accordance with section 2 of SIMA, a subsidy exists where 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.

[90] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists 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) above 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.

[91] A state-owned enterprise (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 4) some combination thereof.

[92] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An “enterprise” is defined under SIMA as also including a “group of enterprises, an industry and a group of industries”. Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[93] In accordance with subsection 2(7.3) of SIMA, notwithstanding that a subsidy is not specific in law, a subsidy may also be considered specific in fact, having regard as to whether:

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

[94] For 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 countervailable.

## **PRELIMINARY RESULTS OF THE SUBSIDY INVESTIGATION**

[95] At the initiation of the subsidy investigation, the CBSA sent subsidy RFIs to the GOC, as well as to all known exporters/producers of PET resin in China.

[96] 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.

[97] The GOC did not respond to the CBSA’s government subsidy RFI. The lack of response from the GOC limited the CBSA’s ability to estimate 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.

[98] In conducting its investigation, the CBSA requested information respecting 25 potential subsidy programs. The total list of programs can be found in **Appendix 2**.

[99] The CBSA will continue to analyze the information on the administrative record during the final phase of the investigation. The CBSA may also consider any other potential subsidy programs that have not yet been identified.

[100] For the purposes of the preliminary determination, the CBSA received no responses to the Subsidy RFI. As such, the amount of subsidy for all exporters in China were estimated as described below.

**ALL EXPORTERS – CHINA**

[101] The CBSA did not receive any subsidy RFI response from exporters of PET resin located in China. The CBSA did not receive a response from the GOC to the government subsidy RFI.

[102] In establishing the methodology for estimating the amount of subsidy for all exporters from China, the CBSA considered all of the information on the administrative record, including the complaint filed by the domestic industry, and the CBSA’s estimates at the initiation of the investigation. Due to the absence of sufficient responses from the Government of China and exporters in China, for all exporters, the amount of subsidy of subject goods originating in or exported from China were based on the CBSA’s initiation estimates of the amount of subsidy.

[103] Using the above methodology, for the preliminary determination, the estimated amount of subsidy for all exporters in China is 57.4% expressed as a percentage of the export price.

**SUMMARY OF PRELIMINARY RESULTS – SUBSIDY**

[104] A summary of the preliminary results of the subsidy investigation respecting all subject goods released into Canada during the POI follows:

**Table 3:**  
**Summary of Preliminary Results - Subsidy**  
 Period of Investigation (January 1, 2024 to December 31, 2024)

Country of Origin or Export	Estimated Amount of Subsidy (% of Export Price)	Estimated % of Total Imports (by Volume)
All Exporters - China	57.4%	42.4%
<b>Total China</b>	<b>N/A</b>	<b>42.4%</b>
All Other Countries	N/A	57.6%
<b>Total</b>	<b>N/A</b>	<b>100%</b>

## **NEGLIGENCE**

[105] Under section 35 of SIMA, the CBSA is required to terminate an investigation prior to the preliminary determination if the volume of goods of a country is negligible. Pursuant to subsection 2(1) of SIMA, a volume of goods of a country is considered negligible if it accounts for less than 3% of the total volume of all goods of the same description that are released into Canada from all countries.

[106] The table above confirms that the volume of imports from China is above 3% of the total volume of goods released into Canada. Based on the definition above, the volume of imports from China is not negligible.

## **INSIGNIFICANCE**

[107] If, in making a preliminary determination, the CBSA determines that the amount of subsidy of the goods of an exporter is insignificant pursuant to section 38 of SIMA, the investigation will continue in respect of those goods but provisional countervailing duties will not be imposed on goods of the same description imported during the provisional period. Pursuant to subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods is defined as insignificant.

[108] For all exporters, the estimated amount of subsidy, expressed as a percentage of the export price, is above 1% and is, therefore, not insignificant. In respect of these goods, provisional countervailing duties will be imposed on goods of the same description imported during the provisional period.

## **DECISIONS**

[109] On June 17, 2025, pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping respecting PET resin from China and Pakistan; and a preliminary determination of subsidizing respecting PET resin from China.

## **PROVISIONAL DUTY**

[110] Pursuant to subsection 8(1) of SIMA, provisional duties payable by the importer in Canada will be applied to dumped and/or subsidized imports of PET resin that are released from the CBSA during the period commencing on the day the preliminary determinations are made and ending on the earlier of the day on which the CBSA causes the investigations in respect of any goods to be terminated, in accordance with subsection 41(1), or the day on which the CITT makes an order or finding. The CBSA considers that the imposition of provisional duties is needed to prevent injury. As noted in the CITT's preliminary determination, there is evidence that discloses a reasonable indication that the dumping and subsidizing of PET resin have caused injury to the domestic industry.

[111] Imports of PET resin originating in or exported from China, and released by the CBSA on or after June 17, 2025, will be subject to provisional duties equal to the sum of the estimated margin of dumping and the estimated amount of subsidy, expressed as a percentage of the export price of the goods. Imports of PET resin originating in or exported from Pakistan, and released by the CBSA on or after June 17, 2025, will be subject to provisional duties equal to the estimated margin of dumping, expressed as a percentage of the export price of the goods. **Appendix 1** contains the estimated margins of dumping, estimated amount of subsidy and the rates of provisional duties.

[112] Importers are required to pay provisional duties in cash or by certified cheque. Alternatively, they may post security equal to the amount payable. Importers should contact their CBSA regional office if they require further information on the payment of provisional duties or the posting of security. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the import documents, an administrative monetary penalty could be imposed. The imported goods are also subject to the *Customs Act*. As a result, failure to pay duties within the specified time will result in the application of the provisions of the *Customs Act* regarding interest.

## **FUTURE ACTION**

### **THE CANADA BORDER SERVICES AGENCY**

[113] The CBSA will continue its investigations of the dumping and subsidizing and will make final decisions by September 15, 2025.

[114] If the margin of dumping or amount of subsidy of any exporter are found to be insignificant, the CBSA will terminate the investigation in respect of goods of that exporter and any provisional duties paid or security posted will be refunded to importers, as appropriate. If the CBSA is satisfied that the goods were dumped and/or subsidized, final determinations will be made.

### **THE CANADIAN INTERNATIONAL TRADE TRIBUNAL**

[115] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by October 15, 2025.

[116] If the CITT finds that the dumping has not caused injury, retardation or is not threatening to cause injury, the proceedings will be terminated and all provisional anti-dumping duty collected or security posted will be refunded.

[117] If the CITT makes a finding that the dumping has caused injury, retardation or is threatening to cause injury, anti-dumping duty in an amount equal to the margin of dumping will be levied, collected and paid on imports of PET resin that are of the same description as goods described in the CITT's finding.

[118] If the CITT finds that the subsidizing has not caused injury, retardation or is not threatening to cause injury, the proceedings will be terminated and all provisional countervailing duty collected or security posted will be refunded.

[119] If the CITT makes a finding that the subsidizing has caused injury, retardation or is threatening to cause injury, countervailing duty in the amount equal to the amount of subsidy on the imported goods will be levied, collected and paid on imports of PET resin that are of the same description as goods described in the CITT's finding.

[120] For purposes of the preliminary determinations of dumping or subsidizing, the CBSA has responsibility for determining whether the actual and potential volume of goods is negligible. After preliminary determinations of dumping or subsidizing, the CITT assumes this responsibility. In accordance with subsection 42(4.1) of SIMA, the CITT is required to terminate its inquiry in respect of any goods if the CITT determines that the volume of dumped or subsidized goods from a country is negligible.

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

[121] 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.

[122] 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.

### **UNDERTAKINGS**

[123] After a preliminary determination of dumping by the CBSA, other than a preliminary determination in which a determination was made that the margin of dumping of the goods is insignificant, an exporter may submit a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated.

[124] Similarly, after the CBSA has rendered a preliminary determination of subsidizing, a foreign government may submit a written undertaking to eliminate the subsidy on the goods exported or to eliminate the injurious effect of the subsidy, by limiting the amount of the subsidy or the quantity of goods exported to Canada. Alternatively, exporters with the written consent of their government may undertake to revise their selling prices so that the amount of the subsidy or the injurious effect of the subsidy is eliminated.

[125] In view of the time needed for consideration of undertakings, written undertaking proposals should be made as early as possible, and no later than 60 days after the preliminary determinations of dumping and subsidizing. Further details regarding undertakings can be found in the [CBSA's Memorandum D14-1-9](#).

[126] Interested parties may provide comments regarding the acceptability of undertakings within nine days of the receipt of an undertaking by the CBSA. The CBSA will maintain a list of parties who wish to be notified should an undertaking proposal be received. Those who are interested in being notified should provide their name, telephone, mailing address and email address to one of the officers identified in the “*Information*” section of this document.

[127] If undertakings were to be accepted, the investigations and the collection of provisional duties would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA's investigations be completed and that the CITT complete its injury inquiry.

## **PUBLICATION**

[128] A notice of these preliminary determinations of dumping and subsidizing will be published in the *Canada Gazette* pursuant to paragraph 38(3)(a) of SIMA.

## **INFORMATION**

[129] This *Statement of Reasons* is available through the CBSA's website at the address below. For further information, please contact the email address identified below:

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

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



Sean Borg  
a/Executive Director  
Trade and Anti-dumping Programs Directorate

## **ATTACHMENTS**

**Appendix 1: Summary of Estimated Margin of Dumping, Estimated Amount of Subsidy and Provisional Duty Payable**

**Appendix 2: Summary of Preliminary Findings for Subsidy Programs**

**APPENDIX 1 – SUMMARY OF ESTIMATED MARGINS OF DUMPING,  
ESTIMATED AMOUNT OF SUBSIDY AND PROVISIONAL DUTIES PAYABLE**

The following table lists the estimated margin of dumping, the estimated amount of subsidy, and the provisional duty by exporter as a result of the decisions mentioned above. Imports of subject goods released from the Canada Border Services Agency on or after June 17, 2025, will be subject to provisional duty at the rate specified below.

<b>Exporter</b>	<b>Estimated Margin of Dumping (% of Export Price)</b>	<b>Estimated Amount of Subsidy (% of Export Price)</b>	<b>Provisional Duties (% of Export Price)</b>
All Exporters - China	71.4%	57.4%	128.8%
All Exporters - Pakistan	84.5%	N/A	84.5%

## **APPENDIX 2 – SUMMARY OF PRELIMINARY FINDINGS FOR SUBSIDY PROGRAMS**

As noted in the body of this document, the GOC did not provide a response to the subsidy RFI, which significantly impeded the CBSA's ability to conduct a proper analysis of the potential subsidy programs for the preliminary determination.

The CBSA included a list of 25 potential subsidy programs at the initiation of the investigation. For purposes of the preliminary determination, the subsidy programs identified remained unchanged.

This Appendix consists of descriptions of the subsidy programs which all exporters benefited from during the course of the POI.

The CBSA has used the best information available to describe the potentially actionable subsidy programs. This includes using information in the complaint, as well as information obtained from the CBSA's research on potential subsidy programs in China.

### **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 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*, *Upholstered Domestic Seating (UDS)*, *Mattresses (MAT)*, *Wind Towers* and *High Protein Content Pea Protein (HPC)*.

This program may constitute 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. The program may be considered specific pursuant to subsection 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 2: Policy loans to the PET resin industry**

According to the US Department of Commerce (USDOC), Chinese PET resin producers reported having loans outstanding from state owned commercial banks (“SOCB”) in China between January 1, 2014 and December 31, 2014. The Government of China (GOC) emphasized the development of petrochemical and ethylene industries in the 2024 Guidance Catalogue on Industrial Structural Adjustment, which highlights the plastic resin manufacturing sector as an “encouraged” industry, as well as in previous editions of the Guidance Catalogue.

Evidence provided in the complaint states that the loans aim at developing China’s petrochemical industries and, more specifically the plastic resin manufacturing sector. This program may constitute 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. The program may be considered specific pursuant to subsection 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 3: 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 *Line Pipe*, *UDS*, *Mattresses* and *HPC*.

This program may constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA; i.e., 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. The above confers a benefit to the exporter by way of reducing its financial costs upon obtaining loans from a financial institution, and the benefit is equal to the amount of the exemption/deduction. The program may be considered specific pursuant to subsection 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 4: Sichuan Province industrial investment guidance fund**

In August 2024, the government of Sichuan Province announced the launch of the Sichuan Industrial Investment Guidance Fund with an initial size of CNY 20 billion (USD \$2.8 billion). The stated objective of this program is to support Sichuan's industrial companies. Although the specific public support granted was not disclosed, the overall budget and the provincial government's commitment to contributing up to 80% of the fund's capital suggest its implementation affects foreign commercial interests. Funds will be disbursed in the form of capital injection and equity stakes including bailouts.

Evidence provided in the complaint states that these loans and interest subsidies are aimed at developing the industrial sector in Sichuan Province. Sichuan Province is home to at least three producers of subject goods, one of which, Sichuan Hanjiang ("Baosheng") New Materials Co., has an annual PET resin production capacity of 600,000 MT.

This program may constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA; i.e., 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. The above confers a benefit to the exporter by way of reducing its financial costs upon obtaining loans from a financial institution, and the benefit is equal to the amount of the exemption/deduction. The program may be considered specific pursuant to subsection 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 5: Foreign trade development fund grants**

Under this program, the GOC provides funding support for projects undertaken by exporting enterprises to: improve the competitiveness of their exported products; to develop an export processing base; to support the registration of trademarks in foreign countries; to support the training of foreign trade professional; and, to explore international markets.

The CBSA has previously countervailed this program in *Decorative and Other Non-structural Plywood (Plywood)*.

The financial contribution by the government is the direct transfer of funds pursuant to section 2(1.6)(a) of SIMA. The program may be considered specific pursuant to subsection 2(7.2)(b) of SIMA as a prohibited export-contingent subsidy.

##### **Program 6: Foreign economic and trade development support funds**

The GOC listed this fund in their 2021 notification of active subsidy programs to the WTO. It provides funding support for projects undertaken by exporting enterprises to: improve the competitiveness of their exported products; to develop an export processing base; to support the registration of trademarks in foreign countries; to support the training of foreign trade professional; and, to explore international markets.

Evidence provided in the complaint suggests that PET resin producers may have obtained grants relating to the foreign economic and trade development support fund.

The financial contribution by the government is the direct transfer of funds pursuant to section 2(1.6)(a) of SIMA. The program may be considered specific pursuant to subsection 2(7.2)(b) of SIMA as a prohibited export-contingent subsidy.

#### **Program 7: Export assistance grants & other 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, UDS, Wind Towers* and *HPC*.

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*, 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.

The financial contribution by the government is the direct transfer of funds pursuant to section 2(1.6)(a) of SIMA. The program may be considered specific pursuant to subsection 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 8: Design, research and development grants**

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

Grants may be provided for the commercialization of technological innovation and research findings and to promote scientific and technological results. The CBSA has previously countervailed this program in *Sucker Rods, Copper Tube, Photovoltaic Modules and Laminates, OCTG, Unitized Wall Modules, Seamless Casing, Pup Joints, Plywood, UDS, MAT, Wind Towers* and *HPC*.

The financial contribution by the government is the direct transfer of funds pursuant to section 2(1.6)(a) of SIMA. The program may be considered specific pursuant to subsection 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 9: Energy conservation and emission reduction grant**

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

The CBSA has previously countervailed similar programs in *Copper Tube, MAT* and *Wind Towers* which addressed grants relating to improving environmental performances. Further, the GOC has listed this title in its notification of subsidy programs to the WTO.

This program appears to be a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government and confers a benefit to the recipient equal to the amount of the grant. The program may be considered specific pursuant to subsection 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 10: State aid to promote a modern industrial system in the new era in Shanghai**

In April 2023, the Shanghai municipal government adopted *Hufu bangui 2023/12*, announcing several state aid measures to “promote and accelerate the construction of a modern industrial system”. Within the same document, the government adopted additional measures to support ‘new-type industrialization’. These measures are administered by the Shanghai municipal government and include the following:

- *State aid to Shanghai's manufacturing sector.* The measure is in place between 20 April 2023 and 19 April 2028. The government did not specify the form the state aid would take. Eligible beneficiaries can receive state aid of up to CNY 100 million (USD \$14.54 million) for the introduction of other advanced manufacturing projects with large investment scales.
- *Interest payment subsidies to incentivize industrial companies to expand production.* The measure is in place between 20 April 2023 and 19 April 2028. Eligible companies already established in Shanghai can benefit from interest payment subsidies of up to 50% of the loan interest, capped at CNY 20 million (USD \$2.9 million). The stated objective is to “increase investment in technological transformation by increasing production capacity, expanding factories, and updating equipment.”

Evidence provided in the complaint states that the municipality of Shanghai is home to at least two producers of subject goods, one of which, Far Eastern New Century (“FENC”), has an annual PET resin production capacity of 560,000 MT in mainland China and an additional 754,000 MT in Taiwan.

This program is a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government and confers a benefit to the recipient equal to the amount of the grant. The program may be considered specific pursuant to subsection 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, and likewise pursuant to subsection 2(7.2) because it is limited to a group of enterprises situated within the municipality's jurisdiction.

**Program 11: State aid to promote the continued recovery of Sichuan Province's economy**

In September 2024, the government of Sichuan Province adopted *Chuan bangui 2024/3*, announcing several measures “to promote the continued recovery of the economy”. Among other programs, the provincial government will provide state aid to incentivize industrial enterprises' production growth between October 1, 2024 and March 31, 2025. The provincial government will provide incentives of CNY 5 million and CNY 10 million (USD713,000 and USD1.43 million) for enterprises that demonstrate a year-on-year increase of their production of 10%-20% and 20% respectively between October 1, 2024 and March 31, 2025.

Evidence provided in the complaint states that Sichuan Province is home to at least three producers of subject goods, one of which, Sichuan Hanjiang (“Baosheng”) New Materials Co., has an annual PET resin production capacity of 600,000 MT.

This program is a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government and confers a benefit to the recipient equal to the amount of the grant. The program may be considered specific pursuant to subsection 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, and likewise pursuant to subsection 2(7.2) because it is limited to a group of enterprises situated within the municipality's jurisdiction.

**Program 12: Measures to promote energy efficiency and environmental protection in Shenzhen's industrial clusters**

Available information indicates that in May 2024, the government of the Shenzhen municipality issued “Several Measures to Promote High-Quality Development of Safety, Energy-Saving and Environmentally Friendly Industrial Clusters in Shenzhen.” Among other measures, the government will provide state aid of up to CNY 10 million (USD1.41 million) per beneficiary to support the development of recycling and carbon-reducing technologies. The measure will enter into force on May 23, 2024 for a period of 5 years.

Evidence provided in the complaint states that the municipality of Shenzhen is home to at least one producer of subject goods, Asia Int'l Enterprise Ltd., which has an annual PET resin production capacity of 400,000 MT.

This program is a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government and confers a benefit to the recipient equal to the amount of the grant. The program may be considered specific pursuant to subsection 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, and likewise pursuant to subsection 2(7.2) because it is limited to a group of enterprises situated within the municipality's jurisdiction.

### **Program 13: Energy savings technology reform program**

Available information indicates that the GOC, through the Xiamen Municipal Bureau of Economic and Information Technology has provided energy savings grants to PET resin producers in China.

The USDOC in a recent Expedited First Sunset Reviews of the Countervailing Duty Orders on Polyethylene Terephthalate Resin from the People's Republic of China and India (July 16, 2021) countervailed this program as "Energy Savings Technology Reform Program".

This program appears to be a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA as a direct transfer of funds from the government and confers a benefit to the recipient equal to the amount of the grant. The program may be considered specific pursuant to subsection 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 14: Corporate income tax reduction for new high tech enterprises ("NHTE")**

Under Article 28.2 of the Enterprise Income Tax Law in China, companies designated as high- or new-technology enterprises (NHTE) are entitled to a reduced income tax rate of 15 percent rather than the normal national corporate tax rate of 25 percent. The granting authority responsible for this program is alleged to be the State Administration of Taxation and the program is administered by local tax authorities. In its notification of subsidy programs to the WTO, the GOC listed this program.

The CBSA has previously countervailed this program in *FISC, Line Pipe, Certain Seamless Casing, OCTG, Pup Joints, Plywood, UDS, Container Chassis, MAT, Wind Towers and HPC*.

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 2(7.2) of SIMA because it is limited to enterprises in certain industries.

#### **Program 15: Preferential tax policies related to research and investment**

According to Article 30 of the *Enterprise Income Tax Law* and Article 95 of the implementing *Regulations of the Enterprise Income Tax Law*, the expenses born by the enterprise incurred in the work of researching and development of new technologies, products, or techniques can be accounted for at the actual accrued amount of total expenses, thereby reducing the enterprise's actual income tax payable.

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

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 16: General-benefit tax exemption for micro and small enterprises**

Available information indicates that under this program from 2021 to 2022, the portion of the annual taxable income of small enterprises making little profits not exceeding 1 million yuan is reduced by 12.5% of the taxable income and subject to corporate income tax at a rate of 20%. From 2019 to 2021, the portion of the annual taxable income of small enterprises making little profits exceeding from 1 million yuan to 3 million yuan is reduced by 50% of the taxable income and subject to corporate income tax at a rate of 20%. From 2022 to 2024, it is reduced by 25% of the taxable income and subject to corporate income tax at a rate of 20%.

The GOC has listed this title in its notification of subsidy programs to the WTO.

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 17: Preferential tax policies in the Western Regions**

Under this program, eligible businesses enjoy a reduced enterprise income tax rate of 15% and are exempted from paying tariffs.

The GOC has listed this title in its notification of subsidy programs to the WTO. Evidence provided in the complaint states that the “Western Regions” include Sichuan Province and the Xinjiang Uyghur Autonomous Region, which are both home to PET resin producers and production facilities.

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 18: Preferential tax policies for enterprises established in special economic zones (SEZs)**

The program's objectives are to attract foreign investment in these zones and to expand and enhance their development. The preferential tax treatment is provided to high or new technology enterprises, registered on or after 1 January 2008 in special economic zones (SEZs) and Pudong New Area of Shanghai, which need special support from the State. 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"

The GOC has listed this title in its notification of subsidy programs to the WTO. Evidence provided in the complaint states that a number of Chinese PET resin producers are located in these special economic zones.

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 19: 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, Pup Joints and Wind Towers*.

The financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 20: Import tariff exemptions on imported equipment in encouraged industries**

This program is to encourage foreign investment and to introduce advanced technology and equipment from abroad. The GOC provides a subsidy to Foreign Invested Enterprises (FIEs) and certain domestic enterprises engaged in “encouraged” industries in the form of import tariffs and VAT exemptions on imported equipment, including components and parts.

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

The financial contribution by the Government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 21: Municipal/local income or property tax reductions**

This program pertains to reductions and exemptions in tax provided from municipal or local income tax units.

The CBSA has previously countervailed similar programs in *UDS* and *MAT*.

The financial contribution by the Government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 22: Tax-based additional deductions for R&D expenses**

Available information indicates that in March 2023, the Ministry of Finance and State Administration of Taxation announced the establishment of a permanent 100% super-deduction rate for R&D expenses for “all qualifying industry enterprises”. This tax deduction policy also provides that if intangible assets are formed by an enterprise in carrying out research and development activities, 200% of the cost of the intangible assets can be amortized before tax. The policy entered into force retrospectively on January 1, 2023

Evidence provided in the complaint states that PET resin producers are eligible beneficiaries.

The financial contribution by the Government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 23: Preferential tax treatment for dutiable oils used in the production of ethylene**

According to the complainant, this program stipulates that ethylene-producing enterprises who produce their own naphtha and fuel oil for the production of ethylene and aromatic chemicals are temporarily exempted from consumption tax on the basis of the actual quantity consumed. The complainant provides evidence that the production and sale of PET resin inputs are less than market value under this program.

The GOC has listed this title in its notification of subsidy programs to the WTO.

This financial contribution by the government consists of government revenue that is otherwise due is foregone or not collected, pursuant to section 2(1.6)(b) of SIMA. The program may be considered specific pursuant to subsection 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 24: Acquisition of government inputs/utilities at less than fair market value**

The complainant allege that exporters may avail themselves of input materials and utilities from state-owned enterprises (SOE) at below fair market value. They have identified the predominant inputs for PET resin producers through state-owned and controlled suppliers at less than fair market value. In addition, the complainant identified electricity as an input that may be provided to PET resin producers at less than fair market value.

The CBSA has previously countervailed this program in *Seamless Casing, OCTG, Stainless Steel Sinks, Steel Piling Pipe, Large Line Pipe, Pup Joints, UDS, Container Chassis, and Wind Towers*.

This program may constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA as they involve the provision of goods or services, other than general governmental infrastructure. The program may be considered specific pursuant to subsection 2(7.2) of SIMA because it is limited to enterprises in certain industries.

#### **Program 25: 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 Line Pipe*.

This program may constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA as they involve the provision of goods or services, other than general governmental infrastructure. The program may be considered specific pursuant to subsection 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.