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BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE
AND THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of	)	**PETITIONS FOR THE IMPOSITION**
	)	**OF ANTIDUMPING AND**
	)	**COUNTERVAILING DUTIES**
CERTAIN EPOXY RESINS FROM	)	
CHINA, INDIA, SOUTH KOREA,	)	
TAIWAN, AND THAILAND	)	
	)	**VOLUME VII: CHINA**
	)	**COUNTERVAILING DUTY**
	)	

Petitioner:
U.S. Epoxy Resin Producers *Ad Hoc* Coalition

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PETITIONS FOR THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES ON IMPORTS OF CERTAIN EPOXY RESINS FROM CHINA, INDIA, SOUTH KOREA, TAIWAN, AND THAILAND

VOLUME VII: CHINA COUNTERVAILING DUTY

I. NAME OF THE COUNTRY IN WHICH THE SUBJECT MERCHANDISE IS MANUFACTURED OR PRODUCED

The country in which the subject merchandise is produced is the People's Republic of China ("China" or "PRC").

II. NAMES AND ADDRESSES OF PRODUCERS AND EXPORTERS OF THE SUBJECT MERCHANDISE BELIEVED TO BENEFIT FROM COUNTERVAILABLE SUBSIDIES

A complete list of the names and addresses of the Chinese producers and exporters of the subject merchandise is contained in Volume I of these petitions at **Exhibit I-17**. The information provided in this exhibit represents the best information reasonably available to Petitioner.

III. METHODOLOGY

Under Section 702(c)(A) of the Act and the regulations of the Department of Commerce ("Department"), the agency is required to initiate an investigation where a petition (1) alleges a sufficient statutory basis for countervailability, (2) contains information "reasonably available" to the petitioner supporting the allegations, and (3) is filed by an interested party on behalf of a domestic industry.[1] The law does not require a petitioner to prove at the outset of an investigation that a subsidy allegation will be confirmed during the course of the investigation. Rather, an allegation is sufficient if it contains the statutory elements necessary for the imposition of a countervailing duty and is supported by "reasonably available" information. As explained by the Department:

[1] *See* 19 U.S.C. § 1671a(b)(l).

> To satisfy the "reasonably available" standard, petitioner should consult all available sources including libraries, embassies, and Department of Commerce (DOC) Central Records Unit (Room B-099). In order to demonstrate that all available sources were sought, petitioner should describe in detail its methodology seeking the required information.[2]

This petition has been prepared in a manner consistent with those guidelines. Petitioner examined all reasonably available public sources regarding potentially countervailable subsidies to the epoxy resins industry in China. These sources include materials published by the Government of China ("GOC") ministries, press releases, newspaper articles, and publicly available financial reports. To the extent possible, Petitioner has also obtained copies of the Chinese laws and statutes associated with the subsidy programs at issue. In addition, Petitioner has reviewed the Department's and the World Trade Organization's ("WTO") publications involving Chinese subsidy programs.

IV. MATERIAL INJURY AND THREAT OF MATERIAL INJURY TO THE DOMESTIC INDUSTRY

The domestic industry producing epoxy resins is materially injured and threatened with material injury by reason of subsidized imports from China. The factual information demonstrating material injury and threat thereof is provided to the Department and the International Trade Commission in Volume I of these petitions.

V. IMPORTS OF CERTAIN EPOXY RESINS FROM CHINA BENEFIT FROM COUNTERVAILABLE SUBSIDIES

A. Introduction

[2] International Trade Administration, Department of Commerce, Form ITA-336P, Format for Petition Requesting Relief Under U.S. Countervailing Duty Law.

Chinese epoxy resin producers can export their products at unfair prices due to the development of complex and interrelated supply chains built on a foundation of non-market and government subsidized feedstocks and other artificial advantages.

It is critical to understand the basics of the epoxy resin manufacturing and supply chain, including the process for the production of highly energy-intensive inputs and their significant impact on the overall costs to manufacture epoxy resins.

- The majority of epoxy resins are produced through the reaction of epichlorohydrin ("ECH") and bisphenol A ("BPA"). Caustic soda is also used in the production of liquid epoxy resins.
- ECH is produced through either the propylene or the glycerin process:
    - In the propylene process, chlorine and propylene are reacted to make allyl chloride, which is then either used together with chlorine and caustic soda to produce ECH or converted to ECH by reaction with hydrogen peroxide.
    - In the glycerin process, glycerin and hydrogen chloride ("HCl") are reacted to an intermediate and then reacted with caustic soda to make ECH. Glycerin is a byproduct of the biodiesel production process.
- A reaction of propylene and benzene produces cumene, which is then reacted from phenol and acetone to produce BPA.

Each stage of the epoxy resin supply chain requires a significant amount of energy, including electricity and natural gas:

- The chlor-alkali process, the electrolysis that manufactures chlorine and caustic soda, is among the highest energy consuming industrial processes. The cost of electricity can represent 70 percent of variable costs of chlor-alkali plants.[3]
- Research conducted by an Asian academic institution estimated that the global chlor-alkali industry consumes around 10 percent of global electricity.[4]
- In Europe, energy costs represent around half of the production costs of epoxy resin.[5] In Asia, these energy costs likely represent an even higher share because of lower labor costs.

[3] Yasmin Pascual Khalil, Changing Regulations and Energy Costs Impact the Global Chlor-alkali Industry (April 21, 2015), attached as **Exhibit VII-1**.
[4] Kai Li *et al*, Revisiting Chlor-Alkali Electrolyzers: from Materials to Devices (April 13, 2021), attached as **Exhibit VII-2**.
[5] Euro chlor, Electrolysis and production costs (November 2023), attached as **Exhibit VII-3**.

- The production of BPA is also very energy intensive.[6]

Chinese ECH capacity increases have been driven by the GOC's support for the production of biodiesel and by subsidies for low cost electricity used in the operation of chlor-alkali-electrolysis. This has created an oversupply of chlorine and HCl, the byproduct of chlorinated organics production, and the reactant required for the conversion of glycerin into ECH, as well as for caustic soda, the other component in the reaction. The government-induced increase in biodiesel production in China created significant volumes of its by-product, glycerin, which was then available together with low-cost HCl and low cost caustic soda to produce ever increasing volumes of ECH. Because of that, China has become a major supplier of cheap ECH to its epoxy resin producers and those in the region, including in Korea and Taiwan, providing them with non-market based ECH prices that they then leverage to expand capacity and exports into the U.S. market.[7]

China epoxy resin producers are in a highly advantaged position. In addition to the industry's ample access to cheap ECH, the Chinese government introduced significant subsidies and other distortions, as detailed below. Therefore, Chinese epoxy resin producers benefit from subsidies provided by the GOC in their epoxy resin manufacturing.

1. Application of the countervailing duty law to China

Petitioner notes that the U.S. CVD laws apply to China. Indeed, the Department has unambiguously stated that it has "legal authority to apply the CVD law to China. Congress granted the Department the general authority to conduct CVD investigations . . . . In none of

[6] Decarbonisation Options For the Dutch Polycarbonate Industry, PBL Netherlands Environmental Assessment Agency, (October 12, 2021) at 9, attached as **Exhibit VII-4**.
[7] On top of this, the production of biodiesel from Natural Oils (Palm Oil) has a rippling environmental impact by being a major driver of deforestation. 8 Things To Know About Palm Oil Webpage, WWF Website, attached as **Exhibit VII-5**.

these provisions is the granting of this authority limited only to market economies."[8] Accordingly, Petitioner requests that the Department apply U.S. CVD laws to the policies and subsidy programs outlined in these Petitions.

2. Epoxy resins producers in China benefit from subsidies conferred by the Chinese government through a variety of policy initiatives

The GOC maintains extensive industrial policies aimed at furthering China's economic growth and development. It implements these policies through subsidy programs that affect every aspect of the Chinese economy, including the production and export of epoxy resins.

One of China's main industrial development programs under this strategy is the Made in China 2025 initiative. The Made in China 2025 Notice, released by the State Council in 2015, expressly calls for China "to achieve 40% 'self-sufficiency' by 2020, and 70% 'self-sufficiency' by 2025, in core components and critical materials in a wide range of industries . . .. "[9] GOC subsidies under Made in China 2025 include "state funding, low interest loans, tax breaks, and other subsidies."[10] The GOC's policy goals under the One Belt One Road program, launched by Chinese President Xi Jinping in 2013,[11] complement the GOC's industrial development strategy under Made in China 2025. As a recent Organization for Economic Cooperation and

[8] *See* Issues and Decision Memorandum accompanying *Coated Free Sheet Paper from the People's Republic of China*, 72 Fed. Reg. 60645 (Oct. 25, 2007) (final affirm. countervailing duty deter.) at 19-20 ("*CFS Paper from China* IDM") (citation omitted). *See also Circular Welded Carbon Quality Steel Pipe from the People's Republic of China*, 72 Fed. Reg. 63875, 63880 (Nov. 13, 2007) (prelim. affirm. countervailing duty deter.; prelim. affirm. deter. of critical circumstances; and alignment of final countervailing duty deter. with final antidumping duty deter.) ("We . . . do not agree with the {Government of China} that we are precluded from investigating subsidies . . .."); and Issues and Decision Memorandum accompanying *Wire Decking from the People's Republic of China*, 75 Fed. Reg. 32902 (Dep't Commerce June 10, 2010) (final affirm. countervailing duty deter.) at 38-43.

[9] Office of the U.S. Trade Representative, Executive Office of the President, Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974 (Mar. 22, 2018) at 15, attached as **Exhibit VII-66.**

[10] James McBride and Andrew Chatzky, *Is 'Made in China 2025' a Threat to Global Trade?*, Council on Foreign Relations, attached as **Exhibit VII-67.**

[11] Andrew Chatzky and James McBride, *China's Massive Belt and Road Initiative,* Council on Foreign Relations, attached as **Exhibit VII-68** ("President Xi announced the initiative during official visits to Kazakhstan and Indonesia in 2013. The plan was two-pronged: the overland Silk Road Economic Belt and the Maritime Silk Road. The two were collectively referred to first as the One Belt, One Road initiative but eventually became the Belt and Road Initiative.")

Development ("OECD") report on the GOC's economic development objectives for One Belt One Road explained, "{t}he strategy Made in China 2025 aims to encourage Chinese technology, standards, equipment and engineering knowhow, which can also be adopted within the BRI {Belt and Road Initiative} in competition with advanced economies trying to do the same thing: *i.e.*, to win business and lock in future projects through sound benefit/cost outcomes."[12]

Subsidies that allow Chinese manufacturers to upgrade their equipment and technology are a particular focus of Made in China 2025. For example, as a report from the Mercator Institute for China Studies ("MERICS") states, "{w}hile enterprises are still hesitant, the Chinese government is the main driving force behind the smart manufacturing boom in China."[13] Further, the MERICS report cites the following statements from Prime Minister Li Keqiang on the GOC's preferential policies toward manufacturers under Made in China 2025: "{T}he manufacturing industry is a main pillar for the national economy, main opportunities must be used. The transition towards smart manufacturing is essential."[14] To encourage this transition toward smart manufacturing under Made in China 2025, the GOC "uses industrial policy instruments such as subsidies to robot makers and buyers to promote technological development."[15]

As part of the chemical sector in China, Chinese producers of epoxy resins are also identified as a strategic industry in the current GOC five-year plan. The Fourteenth Five-Year Plan covering the 2021-25 period places strategic importance on the chemical sector and high-

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[12] *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape,* OECD Business and Finance Outlook (2018) at 22, attached as **Exhibit VII-50**.
[13] Jost Wubbeke, *et al.*, *Made in China 2025: The Making of a High-Tech Superpower and Consequences for Industrial Countries*, MERICS (Dec. 2016) at 16, attached as **Exhibit VII-51**.
[14] *Id.*
[15] *Id*. at 38.

performance resins.[16] Specifically, the Plan places strategic importance on transforming and upgrading key industries such as the chemical industry.[17] Within the chemical industry, the GOC aims to accelerate breakthroughs in key technologies for high-performance resins.[18]

As detailed below, the GOC listed the chemical sector as one of the encouraged key industries, highlighting specialty chemicals, and relevant inputs for epoxy resins, such as chlorine (ECF), caustic soda, propylene, benzene, and "high-performance coatings and supporting resins used in key areas such as aircraft, rail, ships, energy, electronics etc."[19] The GOC's Catalogue of Industries for Guiding Foreign Investment, as amended in 2021, also highlights the chemical industry, fine chemistry, and the production of chemical products.[20]

The information discussed above demonstrates that the GOC has national level policies that encourage the development of the epoxy resin industry.

Consistent with these policies, the GOC has provided a variety of subsidy programs to its epoxy resin industry at the national, provincial, and local levels. For example, in the Jiangsu Province, where several Chinese epoxy resin producers are located,[21] the GOC announced its official plan to boost "advanced manufacturing" in the province as part of the Made in China 2025 scheme, through various subsidies and financial incentives to eligible firms.[22]

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[16] The Fourteenth Five-Year Plan is attached as **Exhibit VII-6**.
[17] *Id.* at 21 ("We will transform and upgrade traditional industries, promote the optimization and structural adjustment of raw material industries such as petrochemicals, (…), speed up the transformation and upgrading of enterprises in key industries such as the chemical industry and papermaking, and improve the green manufacturing system."), 22 ("and accelerate breakthroughs in key technologies for high-performance resins, such as metallocene polyethylene, and high-purity electronic materials such as photoresists for ICs), 97 ("key industries such as petrochemicals, chemicals")/
[18] *Id.* at 22 ("and accelerate breakthroughs in key technologies for high-performance resins, such as metallocene polyethylene, and high-purity electronic materials such as photoresists for ICs).
[19] Industrial Structure Adjustment Guidance Catalogue (2024 version), attached as **Exhibit VII-25**.
[20] *Catalogue for the Guidance of Foreign Investment Industries* (First Revision) (Oct. 23, 2023), attached as **Exhibit VII-28**.
[21] Jiangsu Sanmu Group Co., Ltd, Chang Chun Chemical, China National Blue Star, Jiangsu Ruixiang Chemical, Jiangsu Yangnong Chemical, Kingboard Chemical, Kukdo Chemical, Nan Ya Epoxy Resin, Norsun Chemical, see Volume I of these petitions at Exhibit I-17**.**
[22] *Opinions of the Jiangsu Provincial Government on Several Policies and Measures to Accelerate the Development of Advanced Manufacturing Industry and Revitalize the Real Economy* (April 6, 2017), attached as **Exhibit VII-64**.

Throughout these petitions, Petitioner will provide evidence that several of these subsidy programs are countervailable.

For purposes of 19 C.F.R. § 351.524(d)(2), the average useful life ("AUL") of renewable physical assets in the chemical industry is 9.5 years.[23] Accordingly, assuming that the period of investigation ("POI") is calendar year 2023, Petitioner respectfully requests that the Department investigate any allocable, non-recurring subsidies granted from 2014 through 2023 and any non-allocable, non-recurring subsidies and recurring subsidies provided during the presumptive POI.

VI. GOVERNMENT OF CHINA SUBSIDIES

A. Tax Programs

1. Income tax reductions for high- and new- technology enterprises

Under China's tax regime, enterprises that are qualified as high- or new-technology enterprises are entitled to a reduced tax rate of 15 percent instead of the standard enterprise income tax rate of 25 percent.[24] In January 2016, the GOC issued an updated directive for its program, *Administrative Measures Governing the Recognition of High and New Technology Enterprises*, which reaffirmed that "certified high and new technology enterprise{s} . . . may apply for . . . preferential tax policies." [25]

Information reasonably available to Petitioner indicates that some Chinese epoxy resin manufacturers may qualify for this income tax reduction due to their acknowledgment and investment in technology and technological development. For example, Jiangsu Sanmu Chemical Industry Co., Ltd. ("Jiangsu Sanmu") is considered a "national high-tech company"

[23] How To Depreciate Property, *Internal Revenue Service*, Pub. 946, p. 100, attached as **Exhibit VII-7**.
[24] *See* Enterprise Income Tax Law of The People's Republic of China, Order of the President of the People's Republic of China No. 63 (Mar. 16, 2007) at arts. 4, 28, attached as **Exhibit VII-8**.
[25] Circular on Revising and Printing the *Administrative Measures Governing the Recognition of High and New Technology Enterprises*, Jointly Issued by the Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation (Jan. 29, 2016), at art. 4, translated excerpts attached as **Exhibit VII-9**.

and a "star enterprise".[26] It achieved the title of "50 High" Enterprises in Jiazuo City and has received scientific and technological honors.[27]

Chang Chun Chemical is another epoxy resins producer with two facilities in China. It is located in Riverside Industrial Park, Changshu Economic & Technological Development.[28] In June 2023, the Suzhou Bureau of Commerce, which manages the Changshu Economic & Technological Development, among several others,[29] announced the "Policy to Promote the High-Quality Development of Individual Industrial and Commercial Businesses in Suzhou".[30] Nan Ya Epoxy Resin is another epoxy resins producer with a manufacturing plant in Kunshan Economic And Technical Development Zone, Jiangsu.[31] The municipality where this plant is located issued a notice on the implementation plan for accelerating the construction of a "strong manufacturing city." These indicate that the companies located in technological and technical development zones could be considered high-and new technology enterprises.[32]

The Department previously treated income tax reductions for high- or new-technology enterprises as countervailable subsidies.[33]

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[26] *See* Sanmu Industrial Park—Guangdong Jiangmen, attached as **Exhibit VII-10**. *See also National High-tech Enterprise, Jiangsu Top-100 Private Enterprise*, attached as **Exhibit VII-11**.
[27] See Sanmu Group Scientific and technological honors, attached as **Exhibit VII-12**. *See also Henan Sanmu Kaiyuan epoxy plant observation meeting was successfully held,* attached as **Exhibit VII-13**.
[28] Chang Chun Chemical (Jiangsu) Co., Ltd., attached as **Exhibit VII-14**
[29] Suzhou Bureau of Commerce attached as **Exhibit VII-15**.
[30] Suzhou takes measures to support private businesses (June 28, 2023) at **Exhibit VII-16** ("Six measures have been introduced to reduce operating costs. These include halving certain inspection and testing fees, providing subsidies for social insurance, supporting online business operations, and implementing preferential tax policies. Six measures have been implemented to increase financial support. They include providing credit support, optimizing financial services, strengthening the role of insurance protection, and improving credit management services. Seven measures have been put in place to enhance comprehensive services that could impact technology and technology development. They include strengthening the supply of quality standards, deepening intellectual property services, providing public legal services, and offering recruitment and employment services.")
[31] Kunshan Plant Facilities attached as **Exhibit VII-17.**
[32] Kunshan Municipal Bureau of Industry and Information Technology's notice on the implementation plan for accelerating the construction of a strong manufacturing city (January 26, 2024), attached as **Exhibit VII-18**.
[33] *See* Issues and Decision Memorandum accompanying *Certain Mobile Access Equipment and Subassemblies*, 86 Fed. Reg. 54164 (Sep. 30, 2021) (prelim. affirm. countervailing duty deter.) at 53-54 ("*Mobile Access Equipment from China Prelim* IDM"). *See also* Decision Memorandum accompanying *Certain Pea Protein*, 88 Fed. Reg. 87403 (Dec. 18, 2023) (prelim. affirm. countervailing duty deter.) at 44-45 ("*Pea Protein from China Prelim* IDM").

a) Financial contribution

This tax incentive provides a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

This tax incentive confers a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

Income tax reductions under this program are specific because they are limited to a group of enterprises under section 771(5A)(D)(i) of the Act. The Department has found that the income tax reduction afforded by this program is specific as it is limited as a matter of law to certain new and high technology companies selected by the GOC pursuant to legal guidelines specified in this program.[34]

2. Income tax deduction for research and development expenses

According to Article 30 of the Enterprise Income Tax ("EIT") 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 developing new technologies, products, or techniques can be accounted for at 150 percent of the actual accrued amount of total expenses, thereby reducing the enterprise's actual income tax payable.[35] GOC's Ministry of Science and Technology has announced that companies can enjoy "additional pre-tax deduction of 100

[34] *Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Results of Countervailing Duty Administrative Review* 76 Fed. Reg. 77206 (Dec. 12, 2011) and accompanying Issues and Decision Memorandum at 14. (concluding that "{b}oth the number of targeted industries (eight) and the narrowness of the identified project areas under those industries support a finding that the legislation expressly limits access to the program to a specific group of enterprises or industries.").

[35] Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, Order No. 714 (2019) of the State Council of the People's Republic of China, attached as **Exhibit VII-19**.

percent of the actual amount" of R&D expenses or, if recorded as intangible asset, amortized before tax at 200 percent of the cost.[36]

Information reasonably available to Petitioner indicates that Chinese epoxy resin manufacturers may qualify for this income tax reduction. For example, Jiangsu Sanmu is mainly engaged in research and development ("R&D"), manufacturing and sales of synthetic resin, solvent, fine chemical material and relevant products for coatings.[37] Jiangsu Sanmu has a research center since 2006, namely, Jiangsu Synthetic Resin Engineering and Technology Research Center, and a post-doctoral research center since 2008.[38] Mr. Yifeng Jiang (a member of the Communist Party of China) is reportedly in charge of the R&D of light-curing resin in the group's technical department.[39]

The Department has previously treated income tax deductions for research and development as countervailable subsidies.[40]

a) Financial contribution

This tax incentive provides a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

This tax incentive confers a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

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[36] GOC's Ministry of Science and Technology, The pre-tax deduction policy for R&D expenses is to answer questions and answers (March 29, 2023), attached as **Exhibit VII-21**.
[37] *See* Sanmu Group Industry Architecture," attached as **Exhibit VII-20**.
[38] *See* Sanmu Enterprise platform construction (June 12, 2015), attached as **Exhibit VII-22**.
[39] *See* Sanmu Group "Hard work and don't forget the original intention - remember the 96th anniversary of the founding of the Communist Party of China, and the outstanding party members of Miki Group" (July 6, 2017), attached as **Exhibit VII-23**.
[40] *Mobile Access Equipment from China Prelim* IDM at 53-54. *See also Pea Protein from China Prelim* IDM at 44-45.

Income tax reductions under this program are *de jure* specific because they are limited to a group of enterprises under section 771(5A)(D)(i) of the Act. The Department has determined that the income tax deduction for research and development expenses are *de jure* specific as the R&D tax program provides tax offsets only for enterprises engaged in very specific set of projects.[41]

3. Income tax reductions for encouraged enterprises

Pursuant to Article 25 of the GOC's Enterprise Income Tax Law ("EIT"), the GOC grants preferential income tax treatments to enterprises considered important "as supported and encouraged by the state."[42]

Specifically, the GOC periodically releases a Guidance Catalogue listing key industries and products favored by the GOC. The 2024 version lists chemicals (including specialty chemicals and relevant inputs for epoxy resins, such as chlorine (ECF), caustic soda, propylene, benzene) as one of the encouraged sectors, and lists "high-performance coatings and supporting resins used in key areas such as aircraft, rail, ships, energy, electronics etc."[43] Thus, it is likely that Chinese epoxy resin producers benefit from income tax reductions pursuant to the EIT.

a) Financial Contribution

These income tax reductions provide a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

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[41] *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Countervailing Duty Determination and Affirmative Critical Circumstances Determination,* 77 Fed. Reg. 63788 (Oct. 17, 2012) and accompanying Issues and Decision Memorandum at 70.
[42] Enterprise Income Tax Law of the People's Republic of China, attached as **Exhibit VII-24**.
[43] Industrial Structure Adjustment Guidance Catalogue (2024 version), attached as **Exhibit VII-25**.

These income tax reductions confer a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

These income tax reductions are specific because they are limited to a group of enterprises under section 771(5A)(D)(i) of the Act. These reductions are *de jure* specific as the program provides income tax offsets only for enterprises engaged in important industries and projects as encouraged by the GOC.[44]

4. Import tariff and VAT exemptions on imported equipment in encouraged industries

The GOC provides a subsidy to Foreign Invested Enterprises ("FIEs") and certain domestic enterprises in the form of import tariff exemptions on imported equipment, including components and parts.[45] The purpose of the subsidy is to encourage foreign investment and to introduce advanced technology and equipment from abroad. It is limited to FIEs and to domestic enterprises that undertake "encouraged" projects as set forth in certain GOC catalogues, including the *Catalogue of Industries for Guiding Foreign Investment*.[46] On July 28, 2017, the Chinese General Administration of Customs released the public announcement No. 30/2017: firms designated as "encouraged" according to the 2017 "Foreign Investment Guidance Catalogue" will be eligible for complete import tariff exemptions for self-use equipment.[47] On

[44] Enterprise Income Tax Law of the People's Republic of China, attached as **Exhibit VII-24**.
[45] *See* Circular of the State Council Concerning the Adjustment in the Taxation Policy of Import Equipment, GuoFa {1997} No. 37 (Dec. 29, 1997) at Art. I.(1), attached as **Exhibit VII-26**.
[46] *Id.*
[47] Announcement No. 30 (2017) of the General Administration of Customs (Announcement on Issues Concerning the Implementation of the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017)), attached as **Exhibit VII-30**.

November 28, 2018, the GOC released an updated version of the list of goods that could be imported duty-free for the production of certain types of "major technical equipment".[48]

The GOC's *Catalogue of Industries for Guiding Foreign Investment*, as amended in 2021, lists the chemical industry, fine chemistry, and the production of chemical products using coal as a raw material.[49] Chinese epoxy resin producers reported recent increases in their capacity, which likely required the purchase of new equipment some of which may have been imported. For instance, Jiangmen Sanmu Chemical Co., Ltd. has announced a new project involving the annual output of 50,000 tons of epoxy resins.[50] Nan Ya Plastics also announced expansions of a "cutting-edge" production line in Zhejiang province.[51] Thus, Chinese epoxy resin producers may qualify for benefits under this program. The Department has previously determined that tariff exemptions on imported equipment under this program constitute countervailable subsidies.[52]

Producers of epoxy resins likely benefited from this program considering that many of the Chinese epoxy resin producers are FIEs as they are owned by foreign companies,[53] and they expanded and likely purchased equipment during the AUL period that may have been imported.

a) Financial contribution

[48] *China: 2018 update to catalogue of tax-free imports for the production of 'Major technical equipment'*, Global Trade Alert (November 28, 2018), attached as **Exhibit VII-27**.
[49] *Catalogue for the Guidance of Foreign Investment Industries* (First Revision) (Oct. 23, 2023), attached as **Exhibit VII-28**.
[50] Jiangmen Sanmu Chemical Co., Ltd. with an annual output of 50,000 tons of epoxy soft resin product change project environmental impact report draft publicity (March 11, 2021), attached as **Exhibit VII-29**.
[51] *Nan Ya Plastics Unveils State-of-the-Art Bisphenol A Production Line in Ningbo* (December 7, 2023), attached as **Exhibit VII-46**.
[52] Issues and Decision Memorandum accompanying *Certain Aluminum Foil from the People's Republic of China*, 85 Fed. Reg. 38861 (June 29, 2020) (prelim. results of countervailing duty admin. rev.) ("*Aluminum Foil from China Prelim Review* IDM") at 36-37.
[53] For instance, Chang Chun Chemical is owned by a Taiwanese company, Huntsman is owned by a U.S. company, Kukdo Chemical is owned by a South Korean company, and Nan Ya Epoxy Resin is owned by a Taiwanese company.

These tax exemptions provide a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

These tax exemptions confer a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

These tax exemptions are specific because they are limited to a group of enterprises under section 771(5A)(D)(i) of the Act. These reductions are *de jure* specific as the program only provides import tariff and VAT exemptions to FIEs and certain domestic enterprises.[54] The Department has previously found this program to be specific.[55]

5. VAT rebates on domestically-produced equipment

Pursuant to the "Trial Administrative Measures on Purchase of Domestically Produced Equipment by FIEs, (GUOSHUIFA (1999) No. 171)," the GOC refunds the VAT on purchases of domestically-produced equipment by FIEs if the equipment does not fall into the non-duty exemptible catalog and if the value of the equipment does not exceed the total investment limit of an FIE.[56]

Because the production of epoxy resins requires the acquisition of a significant amount of equipment, it is reasonable to assume that part of this equipment will be domestically-produced, especially considering the government incentives promoting equipment made in China.

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[54] *See* Enterprise Income Tax Law of the People's Republic of China, attached as Exhibit VII-24**.** *See also* Circular of the State Council Concerning the Adjustment in the Taxation Policy of Import Equipment, GuoFa {1997} No. 37 (Dec. 29, 1997) at Art. I.(1), attached as Exhibit VII-26.

[55] Decision Memorandum accompanying *Tin Mill Products from China*, 88 Fed. Reg. 41371 (Jun. 26, 2023) prelim. affirm. countervailing duty deter. ("*Tin Mill Prelim Inv.* IDM") at 24-25.

[56] Issues and Decision Memorandum accompanying *Certain Aluminum Foil from the People's Republic of China*, 82 Fed. Reg. 37844 (Dep't Commerce Aug. 14, 2017) prelim. affirm. countervailing duty deter.) ("*Aluminum Foil Prelim Inv.* IDM") at 48.

Moreover, as noted above, Chinese epoxy resin producers reported capacity expansion and likely purchased equipment during the AUL period that may have been produced domestically.[57]

Although China has terminated a VAT rebate program in 2008, it has created new VAT programs. For example, in 2022, in the face of growing economic pressure from COVID-19 measures, high operational costs, and global logistics and macroeconomic turmoil, China released a slate of tax relief measures to ease the burden on small businesses and companies in key industries.[58] The government pledged around RMB 1.5 trillion (approx. $ 238 billion) of large-scale tax rebates on VAT credit over the course of 2022.[59]

a) Financial contribution

This tax incentive provides a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

This tax incentive confers a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

VAT rebates under this program are contingent upon the use of domestic over imported equipment and are thus specific under section 771(5A)(A) and (C) of the Act.[60]

6. Income tax credits for domestically-owned companies purchasing domestically-produced equipment

The GOC has permitted domestically-owned companies to claim income tax credits on the purchase of domestically-produced equipment if the project is compatible with the GOC's

[57] Jiangmen Sanmu Chemical Co., Ltd. with an annual output of 50,000 tons of epoxy soft resin product change project environmental impact report draft publicity (March 11, 2021), attached as **Exhibit VII-29**.
[58] China's VAT Rebates Policy in 2022, *China Briefing Website*, attached as **Exhibit VII-31**.
[59] *Id.*
[60] *Aluminum Foil Prelim Inv.* IDM at 48.

industrial policies.[61] Under this program, a tax credit of up to 40 percent of the purchase price of the domestic equipment could apply to the incremental increase in tax liability from the previous year.[62] In those circumstances where the income tax due is less than 40 percent of the price of the equipment, the remainder of the price may be deducted in subsequent years, for a period of up to five years.[63] The Department previously determined that Chinese companies received a countervailable subsidy under this program.[64]

Producers of epoxy resins likely benefited from this program because they expanded capacity and likely purchased equipment during the AUL period that may have been produced domestically.

a) Financial contribution

This tax incentive provides a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

b) Benefit

This tax incentive confers a benefit equal to the amount of revenue foregone under 19 C.F.R. § 351.509(a)(1).

c) Specificity

Income tax credits under this program are contingent upon the use of domestic over imported equipment and are thus specific under section 771(5A)(A) and (C) of the Act.[65]

B. Subsidized Financing To The Epoxy Resin Industry

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[61] *Circular Concerning Printing and Distributing Interim Measures on Business Income Tax Credit Applicable to Technological Transformation Domestic Equipment Investment*, Cai Shui (1999) No 290, at Art. 2, attached as **Exhibit VII-32**.
[62] *Id.*
[63] *Id.* at Art. 5.
[64] Issues and Decision Memorandum accompanying *Certain Iron Mechanical Transfer Drive Components from the People's Republic of China*, 81 Fed. Reg. 75037 (Dep't Commerce Oct. 28, 2016) at 53.
[65] Issues and Decision Memorandum accompanying *Certain Iron Mechanical Transfer Drive Components from the People's Republic of China*, 81 Fed. Reg. 21316 (Dep't Commerce Apr. 11, 2016) (prelim. affirm. countervailing duty deter.) at 39.

1. Capital injections and other payments from the state capital operating budget

The Chinese government at the central and sub-central levels subsidizes SOEs through the State Capital Operating Budget ("SCOB"). The Ministry of Finance primarily administers the program, with State-owned Assets Supervision and Administration Commission of the States Council ("SASAC"), sub-central agencies, and other central departments that oversee SOEs responsible for organizing and planning the related activities of enterprises under their jurisdictions.[66] The SCOB derives income from (i) after-tax profits of SOEs; (ii) capital gains and dividends paid on state-owned shares; (iii) income earned from the transfer of state-owned property rights; (iv) income from the liquidation of state-owned assets; and (v) other state-owned capital operating income.[67]

The GOC uses expenditures from the SCOB to "serve the national strategic objectives."[68] These uses include capital infusions directly into SOEs or into industrial investment funds "to guide central enterprises to better serve the national strategy," with an emphasis on "important industries and key areas that are related to national security and the lifeline of the national economy."[69] The Ministry of Finance drafted recommendations for the subsequent year's SCOB expenditures in the past, but the most recent draft recommendations apply to the 2015 SCOB. These recommendations show that the GOC weighted the SCOB's priorities heavily towards the government's industrial policy objectives, such as (i) "{s}tate-owned economic structural adjustment expenditures, which are used to support the strategic reorganization and integration of state-owned enterprises;" (ii) expenditures to "develop important forward-looking strategic

[66] Ministry of Finance, *Notice on Printing and Distributing the Measures for Compilation and Reporting the Central State Capital Operating Budget*, Cai Pre No. 133 (Sep. 26, 2017) at art. 2, attached as **Exhibit VII-37**.
[67] *Id.* at Art. 5.
[68] *Id.* at Art. 8.
[69] *Id.* at Art.8(2).

industries;" (iii) expenditures for "science and technology," including "industrial transformation and upgrading;" and (iv) "national economic security expenditures, which are used to raise national competitiveness and comprehensive national strength . . .. "[70]

The GOC has continued to provide massive amounts of financial support through the SCOB for industrial policy objectives such as these. According to the 2019 *Report on the Execution of the Central and Local Budgets for 2018 and on the Draft Central and Local Budgets* for 2019, "{b}udgetary revenue of state capital operations nationwide totaled 289.995 billion yuan in 2018, an increase of 9.8%, while expenditure totaled 215.926 billion yuan, an increase of 6.7%."[71] The central government SCOB spent 102.485 billion RMB of this total, and sub-central SCOBs spent 113.441 billion RMB.[72]

Despite extensive research, Petitioner was unable to determine whether any of the Chinese producers of epoxy resin are SOEs. However, because SOEs are widely present throughout industries, it is reasonable to assume that certain epoxy resins producers are SOEs or are owned and/or controlled by SOEs. These producers therefore likely received support under this program.

a) Financial contribution

Payments from the SCOB constitute a financial contribution within the meaning of section 771(5)(D)(i) of the Act because they are direct transfers of funds from the government budget.

[70] Ministry of Finance, *Notice of the Ministry of Finance on Preparing the Draft {} of the Central State-owned Capital Operating Budget for 2015*, Caiqi No. 175 (Jul. 31, 2014), at I.(1), I(3), I(5), I(6), attached as **Exhibit VII-38**.
[71] Ministry of Finance, *Report on the Execution of the Central and Local Budgets for 2018 and on the Draft Central and Local Budgets for 2019*, Second Session of the 13th National People's Congress of the People's Republic of China (Mar. 5, 2019) at 5, attached as **Exhibit VII-39**. Please note that the currency of China may be referred to as the "yuan" or the "RMB."
[72] *Id.* at 5-6.

b) Benefit

Payments from the SCOB appear to be grants. The program therefore confers a benefit within the meaning of section 771(5)(E) of the Act in the amount of the payment.[73]

c) Specificity

Payments from the SCOB are *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act because they are limited by law only to SOEs.[74]

2. Export Seller's Credits

China's Export-Import Bank ("CEXIM") provides assistance to exporters through a variety of mechanisms, including Export Seller's Credits.[75] CEXIM has explained that the purpose of the Export Seller's Credits program is to support the export of Chinese products and improve their competitiveness in the international market.[76] In addition, CEXIM has described the Export Seller's Credits as a loan with large amount, long maturity, and preferential interest rate.[77] The Export Seller's Credits are available for producers of new- and high-tech products, products with indigenous intellectual property rights, self-owned brands, high value-added products, software products, and mechanical and electronic products.[78] As of the end of 2022, CEXIM's outstanding balance for Export Seller's Credits was over 682 billion RMB.[79]

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[73] 19 C.F.R. § 351.504(a)-(c). *See also Certain Fabricated Structural Steel from the People's Republic of China*: Final Affirmative Countervailing Duty Determination, 85 FR 5384 (January 30, 2020), and accompanying IDM at Appendix 1.
[74] See, e.g., *Certain Chassis and Subassemblies Thereof from the People's Republic of China*: Final Affirmative Countervailing Duty Determination, 86 FR 15186 (March 22, 2021), and accompanying IDM at 13. *See also Certain Fabricated Structural Steel from the People's Republic of China*: Final Affirmative Countervailing Duty Determination, 85 FR 5384 (January 30, 2020), and accompanying IDM at Appendix 1.
[75] *Annual Report 2022*, Export-Import Bank of China, at 43, attached as **Exhibit VII-33**.
[76] *See, e.g.,* Issues and Decision Memorandum accompanying *Calcium Hypochlorite from the People's Republic of China*, 79 Fed. Reg. 74,064 (Dep't Commerce Dec. 15, 2014) (final affirm. countervailing duty deter.) at 15 ("*Calcium Hypochlorite from China* IDM*"*); *See* Issues and Decision Memorandum accompanying Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China, 73 Fed. Reg. 70,961 (Dep't Commerce Nov. 24, 2008) (final affirm. countervailing duty deter.) at 20 ("*Welded Line Pipe from China* IDM").
[77] *Id*.
[78] *See New- and Hi-tech Product Export Sellers' Credit*, Export-Import Bank of China (Mar. 12, 2014), excerpts attached as **Exhibit VII-34**.
[79] *Annual Report* 2022, Export-Import Bank of China, at 43, attached as Exhibit VII-33.

Chinese epoxy resins producers have likely received benefits under this program because of their focus on export markets. Specifically, from 2019 to 2023, China's epoxy resin export volume showed an uptrend, as the total export volume was 48.1kt in 2019, expected to reach 172kt in 2023, with a compound annual growth rate ("CAGR") of 24.37% in recent five years.[80] Accordingly, as it did in prior China investigations, the Department should investigate this program.[81]

a) Financial contribution

Preferential loans and other benefits that CEXIM grants under these export credit programs represent direct transfers of funds under section 771(5)(D)(i) of the Act. The Department considers loans from special-purpose government policy banks to be direct loans from the government and, thus, direct financial contributions under the Act.[82]

b) Benefit

CEXIM administers these policies on preferential, non-commercial terms, which confer a benefit to recipients within the meaning of section 771(5)(E)(ii) of the Act. The benefit is equal to the difference between what the recipient pays on the loan and the amount that it otherwise would pay on a comparable commercial loan. In addition, pursuant to China's WTO Accession Protocol, the Department may "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks."[83]

c) Specificity

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[80] [ ] at 20-21, provided in Volume I as Exhibit I-6.
[81] *See, e.g.*, Initiation Checklist, *Certain Paper Shopping Bags from the People's Republic of China* (DOC Case No. C-570-153) (Jun. 20, 2023) (Public Version) at 14-15.
[82] *CFS Paper from China* IDM at 9-10.
[83] Accession of the People's Republic of China, Decision of November 10, 2001, World Trade Organization, WT/L/432 (Nov. 23, 2001), at Art. 15(b), attached as **Exhibit VII-35**.

Benefits under these programs are specific as a matter of law under section 771(5A)(A) and (B) of the Act, because the GOC limits access to exporters with exports over a certain specified amount. Exporters must also meet Chinese content requirements to be eligible for the Export Seller's Credits, which means that these credits are also specific under sections 771(5A)(A) and (C) of the Act.

3. Export Buyer's Credits

CEXIM aids exporters through a variety of mechanisms, including Export Buyer's Credits.[84] As explained on CEXIM's website, "{t}he Bank provides export buyers' credit to foreign companies for their import of Chinese product, technology and service. This loan is provided {by CEXIM} both in Chinese yuan and in foreign currencies."[85] As of the end of 2022, CEXIM's outstanding balance for Export Buyer's Credits was nearly 114 billion RMB.[86] CEXIM does not appear to limit the Export Buyer's Credits to specific types of credit, but it requires that the Chinese content of exported goods used in a project account for no less than half of the contract's value.[87]

Additional information regarding the receipt of Export Buyer's Credits by the customers of epoxy resin producers is not reasonably available to Petitioner. Indeed, as a result of the GOC's repeated failures to cooperate in prior investigations, even the Department has been unable to fully understand the operation of the program.[88] The Department has investigated this

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[84] *Annual Report 2022*, Export-Import Bank of China, at 43, attached as Exhibit VII-33.
[85] *Export Buyers' Credit*, Export-Import Bank of China, excerpts attached as **Exhibit VII-36**.
[86] *Annual Report* 2022*,* Export-Import Bank of China, at 43, attached as Exhibit VII-33.
[87] *See* Initiation Checklist, *Certain Fabricated Structural Steel from the People's Republic of China* (DOC Case No. C-570-103) (Feb. 25, 2019) (Public Version) at 34.
[88] Issues and Decision Memorandum accompanying *Truck and Bus Tires from the People's Republic of China*, 82 Fed. Reg. 8606 (Dep't Commerce Jan. 27, 2017) (final affirm. countervailing duty deter., final affirm. critical circumstances deter., in part) at 30.

program in many prior proceedings, and it should initiate an investigation of the program in this case as well.[89]

a) Financial contribution

Preferential loans and other benefits that CEXIM grants under these export credit programs represent direct transfers of funds under section 771(5)(D)(i) of the Act. The Department considers loans from special-purpose government policy banks to be direct loans from the government and, thus, direct financial contributions under the Act.[90]

b) Benefit

CEXIM administers these policies on preferential, non-commercial terms, which confer a benefit to recipients within the meaning of section 771(5)(E)(ii) of the Act. The benefit is equal to the difference between what the recipient pays on the loan and the amount that it otherwise would pay on a comparable commercial loan. In addition, pursuant to China's WTO Accession Protocol, the Department may "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks."[91]

c) Specificity

These programs are specific as a matter of law under section 771(5A)(A) and (B) of the Act, because the program is contingent upon export performance. Exporters must also meet Chinese content requirements, and therefore, these credits are also specific pursuant to sections 771(5A)(A) and (C) of the Act.

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[89] *See, e.g.*, Initiation Checklist, *Certain Paper Shopping Bags from the People's Republic of China* (DOC Case No. C-570-153) (Jun. 20, 2023) (Public Version) at 15-16.
[90] *See* Issues and Decision Memorandum accompanying *Coated Free Sheet Paper from the People's Republic of China*, 72 Fed. Reg. 60645 (Oct. 25, 2007) (final affirm. countervailing duty deter.) at 9-10.
[91] Accession of the People's Republic of China, Decision of November 10, 2001, World Trade Organization, WT/L/432 (Nov. 23, 2001), at Art. 15(b), attached as Exhibit VII-35.

4. Export Credit Guarantees

CEXIM provides assistance to exporters through a variety of mechanisms, including Export Credit Guarantees. Trade finance, including letter of guarantee, and guarantees related to foreign trade are within the main business purposes of CEXIM.[92] As of the end of 2022, CEXIM's outstanding balance for Trade finance was 264 billion RMB.[93] Also, in 2022, CEXIM accounted for over 40 billion RMB increase in issued letters of guarantee when compared with the previous year.[94]

Export credit guarantees allow CEXIM to carry out its "mission is to serve China's development strategies."[95] CEXIM stated that "{w}ith Chinese government's credit support, the {CEXIM} plays a crucial role in promoting steady economic growth and structural adjustment, supporting foreign trade and the 'going global' endeavor."[96] It also stated the CEXIM "is committed to reinforcing financial support to key sectors and weak links in the Chinese economy to ensure sustainable and healthy economic and social development."[97] Export credit guarantees permit banks to lower the interest rates charged for export financing in furtherance of China's development strategies.

Additional information regarding the receipt of Export Credit Guarantees by epoxy resin producers is not reasonably available to Petitioner. The Department has investigated this program in many prior proceedings, and it should initiate an investigation of the program in this case.[98]

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[92] *Annual Report* 2022, Export-Import Bank of China, at 38, attached as Exhibit VII-33.
[93] *Id.* at 43.
[94] *Id.* at 173.
[95] *Id.* at 2.
[96] *Id.*
[97] *Id.*
[98] *See, e.g.*, Initiation Checklist, *Certain Metal Lockers and Parts Thereof from the People's Republic of China* (DOC Case No. C-570-134) (July 29, 2020) (Public Version) at 12-13. *See also Pea Protein from China Prelim* IDM.

a) Financial contribution

Export credit guarantees that CEXIM grants under these export credit programs represent direct transfers of funds or potential direct transfer of funds or liabilities under section 771(5)(D)(i) of the Act.

b) Benefit

CEXIM administers these policies on preferential, non-commercial terms, which confer a benefit to recipients within the meaning of section 771(5)(E)(ii) of the Act. The benefit is equal to the difference between what the recipient pays on the guaranteed loan and the amount that it otherwise would pay on a comparable commercial loan in the absence of a guarantee. In addition, pursuant to China's WTO Accession Protocol, the Department may "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks."[99]

c) Specificity

These programs are specific as a matter of law under section 771(5A)(A) and (B) of the Act, because eligibility for this program is contingent upon export performance.

C. Grants

1. Grants under the Foreign Trade Development Fund

The Department has previously investigated and countervailed the GOC's provision of grants under the Foreign Trade Development Fund.[100] Pursuant to this program, the GOC provides grants to support projects undertaken by exporting companies to "improve the competitiveness of their exported products, to develop an export processing base, to support the

[99] Accession of the People's Republic of China, Decision of November 10, 2001, World Trade Organization, WT/L/432 (Nov. 23, 2001), at Art. 15(b), attached as Exhibit VII-35.
[100] *See, e.g., Calcium Hypochlorite from China* IDM at 17; *Welded Line Pipe from China* IDM at 20.

registration of trademarks in foreign countries, to support the training of foreign trade professionals, and to explore international markets."[101] Chinese epoxy resins producers have likely received benefits under this program because of their focus on export markets and significant increase in exports. For instance, from 2019 to 2023, China's epoxy resin export volume increased from 48,100 metric tons ("MT") in 2019, to 172,000 MT in 2023, an annual growth rate of 24.37% since 2019.[102]

a) Financial contribution

The Department has previously found that grants under this program constitute a financial contribution within the meaning of section 771(5)(D)(i) of the Act because they are direct transfers of funds.[103]

b) Benefit

This program provides a benefit under section 771(5)(E) of the Act in the amount of the grant.[104]

c) Specificity

This program is specific within the meaning of sections 771(5A) and (B) of the Act because it is contingent upon export.

2. Export assistance grants

The Department has previously investigated and countervailed the GOC's provision of export assistance grants to Chinese companies.[105] As the Department concluded in its

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[101] *Welded Line Pipe from China* IDM at 20.
[102] [ ] at 20-21, provided in Volume I as Exhibit I-6.
[103] *Welded Line Pipe from China IDM* at 21.
[104] *Id*.
[105] *See* Issues and Decision Memorandum accompanying *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the People's Republic of China*, 75 Fed. Reg. 57444 (Dep't Commerce Sept. 21, 2010) (final affirm. countervailing duty deter.) at 36 ("*Seamless Pipe from China* IDM"); Issues and Decision Memorandum accompanying *Galvanized Steel Wire From the People's Republic of China*, 77 Fed. Reg. 17418 (Dep't Commerce Mar. 26, 2012) (final affirm. countervailing duty deter.) at 17-18 ("*Galvanized Steel Wire from China* IDM"); Issues and Decision Memorandum accompanying *Certain Steel Wheels from the People's Republic of*

investigation of *Galvanized Steel Wire from China*, Chinese companies receive export assistance grants to assist in the development of export markets or to recognize export performance.[106]

Chinese epoxy resin producers likely received benefits under this program given their focus on export markets. As noted above, China's epoxy resin export volume has significantly and constantly increased, with an annual growth rate of 24.37 percent since 2019.[107]

a) Financial contribution

As the Department found in previous cases, export assistance grants are financial contributions within the meaning of section 771(5)(D)(i) of the Act in the form of a direct transfer of funds.[108]

b) Benefit

Pursuant to section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a), these export assistance grants provide a benefit in the amount of the grants.[109]

c) Specificity

Export assistance grants are specific under sections 771(5A)(A) and (B) of the Act because they are contingent upon export.[110]

3. State Key Technology grants

The Department has countervailed the State Key Technology Renovation Project Fund program in past investigations.[111] The program was "created pursuant to circular *Guojingmao Touzi (1999) No. 886* . . ., and operates under regulatory guidelines including the *Measures for*

China, 77 Fed. Reg. 17017 (Dep't Commerce Mar. 23, 2012) (final affirm. countervailing duty deter., final affirm. critical circumstances deter.) at 32 ("*Steel Wheels from China* IDM") (referencing receipt of various local export assistance grants). *See also Pea Protein from China Prelim* IDM.

[106] *Galvanized Steel Wire from China IDM* at 17-18.

[107] [ ] at 20-21, provided in Volume I as Exhibit I-6.

[108] *Galvanized Steel Wire from China IDM* at 17-18.

[109] *Id*. at 17.

[110] *Id*.

[111] *See, e.g., Aluminum Extrusions from China* IDM at 31. *Pea Protein from China Prelim* IDM at 11, 18, A-2.

the Administration of National Debt Special Fund for National Key Technology Renovation Project ('Special Fund Measures'), Guojingmao Touzi (1999) No. 122, Guojingmao Touzi (1999) No. 1038, and Guojingmao Touzi (2006) No. 822."[112] According to the GOC, the program is intended to promote: (a) technological renovation in key industries; (b) technology upgrades; (c) improvements in product structure; (d) improvements in quality; (e) increases in supply; (f) the expansion of domestic demand; and (g) further development of the state economy.[113]

Under this program, companies can apply for funds to cover the cost of financing specific renovation projects. The GOC disburses payments in the form of grants covering two years of interest payments on loans to fund the project, or up to three years for enterprises located in the Northeast, Central, or Western areas of China.[114] Under Article 11 of the Special Fund Measures, the GOC may also disburse Key Technology Program funds as "loan interest grants," which it calculates with reference to the amount of the project loans and prevailing interest rates during a period of one to two years.[115]

As noted above, the GOC 2024 Guidance Catalogue listing of key industries and products favored by the GOC identifies chemicals (including specialty chemicals and relevant inputs for epoxy resins, such as chlorine (ECF), caustic soda, propylene, and benzene) as one of the encouraged sectors and lists "high-performance coatings and supporting resins used in key areas such as aircraft, rail, ships, energy, electronics etc."[116] The GOC's Catalogue of Industries for

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[112] *See Coated Free Sheet Paper From the People's Republic of China*, 72 Fed. Reg. 17484, 17,491 (Dep't Commerce Apr. 9, 2007) (amended prelim. affirm. countervailing duty deter.).
[113] *Id*.
[114] *See Notice Concerning the Promulgation and Circulation of "Measures for the Administration of National Key Technological Renovation Projects"* and "*Measures for the Administration of Treasury-bond Special Fund for National Key Technological Renovation Projects,*" GuoJingMaoTouzi, No. 886 (Sep. 10, 1999) at art. 9, attached as **Exhibit VII-40**.
[115] *Id*. at art. 11.
[116] Industrial Structure Adjustment Guidance Catalogue (2024 version), attached as Exhibit VII-25.

Guiding Foreign Investment, as amended in 2021, also highlights the chemical industry, fine chemistry, and the production of chemical products using coal as raw material as encouraged industry sectors.[117] The GOC also announced the establishment of a fund to provide financial support for strategic emerging industries,[118] and the GOC's Emerging Industry Development Plan highlights "chemicals for electronic information" as a key sector, with the goal to "carry out regional comprehensive application demonstrations to achieve the goal of replacing more than 50 percent of traditional petrochemical plastic products with regional bio-based plastic products and packaging materials ," "promote the large-scale application of biomanufacturing," and "bio-based chemical products."[119]

Publicly available information indicates that Chinese epoxy resin producers have likely benefited from this program. For instance, in January 2023, the GOC's provincial government of Jiangsu, where several Chinese epoxy resin producers are located,[120] implemented many state aid measures. Specifically, as discussed in Sections VI.C.6 and VI.D.1 below, the provincial government of China's Jiangsu Province announced several policies and measures to promote the overall improvement of economic performance, including loan discounts, increased financing, social security fee reductions and job stabilization returns, reduced electricity fees, reduction of inspection fees, special funds to stimulate foreign trade, expansion of export credit

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[117] *Catalogue for the Guidance of Foreign Investment Industries* (First Revision) (Oct. 23, 2023), attached as Exhibit VII-28.
[118] *The National Development and Reform Commission (NDRC) and China Construction Bank (CCB) signed a memorandum of understanding on strategic cooperation on jointly initiating the establishment of a strategic emerging industry development fund* (June 12, 2018), attached as **Exhibit VII-41**.
[119] The State Council on the issuance of the "13th Five-Year Plan" national strategy Notice on the Development Plan of Emerging Industries (December 19, 2016), attached as **Exhibit VII-42**.
[120] Jiangsu Sanmu Group Co., Ltd, Chang Chun Chemical, China National Blue Star, Jiangsu Ruixiang Chemical, Jiangsu Yangnong Chemical, Kingboard Chemical, Kukdo Chemical, Nan Ya Epoxy Resin, Norsun Chemical, see Volume I of these petitions at Exhibit I-17**.**

insurance and fee reduction, reduced short-term insurance rates and credit fees, and increased promotion of the financing function of "Suzhou Trade Loan."[121]

Accordingly, the Department should investigate whether Chinese epoxy resin producers received funds under this program to support these upgrades.

a) Financial contribution

This program provides a financial contribution under section 771(5)(D)(i) of the Act in the form of a direct transfer of funds.

b) Benefit

Pursuant to section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a), the program provides a benefit in the amount of the grants.

c) Specificity

In previous investigations, the Department found that this subsidy program is specific under section 771(5A)(D)(i) of the Act because it is limited as a matter of law to certain enterprises or industries.[122]

4. Grants for retiring/replacing outdated capacity and industrial restructuring

The GOC at the central and sub-central levels provides grants to enterprises that eliminate outdated capacity in sectors with overcapacity. The chemical industry, which includes epoxy resin producers, has been a particular target for removing and replacing outdated capacity in China.

In 2007, the Ministry of Finance issued the *Interim Measures for the Administration of the Central Financial Reward Funds for Eliminating Outdated Production Capacity ("Interim*

[121] The provincial government issued a notice on a number of policy measures to promote the overall improvement of economic operation (January 18, 2023), attached as **Exhibit VII-49**.
[122] *See, e.g., Seamless Pipe from China* IDM at 19. *Pea Protein from China Prelim* IDM at 11, 18, A-2.

Measures").[123] The *Interim Measures* delegated responsibility for eliminating outdated capacity to local governments, and they provided that the central government would allocate award funds based on the scale by which local governments eliminated this capacity.[124] The GOC restricted award funding to the elimination of outdated capacity in certain sectors with overcapacity.[125] It also instructed local governments to allocate local award funds in tandem with award funds from the central budget.[126] The Ministry of Finance replaced the 2007 Interim Measures in 2011 with the Measures for the Management of Central Financial Incentive Funds for the Elimination of Backward Production Capacity.[127] This measure operates in the same manner as discussed above.

Petitioner was unable to find a more recent version of the 2011 Measures after conducting multiple searches on the websites of the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT") (https://www.miit.gov.cn/), the Ministry of Finance of People's Republic of China (http://www.mof.gov.cn/index.htm), and the National Energy Administration (http://www.nea.gov.cn/index.htm). These three ministries jointly released the 2011 Measures in April 2011. Petitioner also did not find a more recent version through various open-source searches. On the other hand, Petitioner did not find any indication showing that the 2011 Measures have expired and found evidence that the program is still benefiting specific Chinese companies. For example, an article published by People's Daily on August 3, 2022, which was shared by the MIIT, states that Yao Jun, the Deputy Director of the Planning Department of the MIIT, emphasized that the remarkable transformation of China's

[123] Ministry of Finance, *Interim Measures for the Administration of the Central Financial Reward Funds for Eliminating Outdated Production Capacity*, Cai Jian No. 873 (Dec. 11, 2007), attached as **Exhibit VII-43**.
[124] *Id*. at chapter II, art. 6.
[125] *Id*. at Art. 4.
[126] *Id*. at Art. 16.
[127] Ministry of Finance, *Measures for the Management of Central Financial Incentive Funds for the Elimination of Backward Production Capacity*, Cai Jian No. 180 (Apr. 20, 2011), attached as **Exhibit VII-44**.

manufacturing industry in "the past ten years" was possible because of "the in-depth implementation of the strategy of manufacturing a strong country."[128] While Yao did not specifically refer to the 2011 Measures, the article credited the GOC for "carry{ing} out special actions to eliminate backward production capacity" in an effort to "{p}romote high-end manufacturing." Therefore, although a more recent version of the 2011 Measures is not reasonably available, evidence indicates that the 2011 Measures remain in effect and continue to be applicable during the prospective POI.

The Department found in recent investigations that Chinese producers received payments under this program.[129] Chinese epoxy resin producers or their cross-owned affiliates have also likely benefited from grants to eliminate outdated capacity and replace it with new capacity. For example, epoxy resin producers increased their capacity, which likely required the purchase of equipment. For instance, Jiangmen Sanmu has announced a new project involving the annual output of 50,000 tons of epoxy resins.[130] Chinese epoxy resin producer Nan Ya Plastics has also announced expansions of a "cutting-edge" production line in Ningbo, located in the Zhejiang province of China.[131] Thus, the Department should investigate whether Chinese epoxy resin producers received funds under this program to support the closure and replacement of outdated capacity.

a) Financial contribution

[128] The comprehensive strength of my country's manufacturing industry continues to improve, *People's Daily* (Aug. 3, 2022), attached as **Exhibit VII-45**.
[129] Issues and Decision Memorandum accompanying *Stainless Steel Sheet and Strip from the People 's Republic of China*, 82 Fed. Reg. 9,714 (Dep't Commerce Feb. 8, 2017) (final affirm. deter., and final affirm. critical circumstances deter., in part) at 9 ("*Stainless Steel from China* IDM"). *Pea Protein from China Prelim* IDM at 11, 18, A-2.
[130] Jiangmen Sanmu Chemical Co., Ltd. with an annual output of 50,000 tons of epoxy soft resin product change project environmental impact report draft publicity (March 11, 2021), attached as Exhibit VII-29.
[131] *Nan Ya Plastics Unveils State-of-the-Art Bisphenol A Production Line in Ningbo* (December 7, 2023), attached as **Exhibit VII-46**.

Grants for eliminating outdated capacity are a financial contribution within the meaning of section 771(5)(D)(i) of the Act, because they are direct transfers of funds from central or subcentral government budgets.

b) Benefit

Pursuant to section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a), the program provides a benefit in the amount of the grant.

c) Specificity

Grants for retiring outdated capacity are *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act because the GOC limits them to certain industries with outdated capacity. Alternatively, these grants are specific on a *de facto* basis under section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy are limited in number (*i.e.*, firms removing outdated capacity).[132]

5. Grants for energy conservation and emission reductions

In 2015, the Ministry of Finance issued the *Interim Measures for the Administration of Energy Saving and Emission Reduction Subsidy Funds*.[133] The measures provide for payments in the form of grants, awards, and interest payment subsidies to support projects related to (i) institutional innovations in energy conservation and emission reduction; (ii) basic capacity for energy conservation and emission reduction and construction of public platforms; (iii) comprehensive demonstration of fiscal policies for energy conservation and emission reduction; (iv) energy conservation and emissions reduction in key areas and industries; (v) demonstration,

[132] Ministry of Finance, *Measures for the Management of Central Financial Incentive Funds for the Elimination of Backward Production Capacity*, Cai Jian No. 180, at Article 4 (Apr. 20, 2011), attached as Exhibit VII-44; Ministry of Finance, *Interim Measures for the Administration of the Central Financial Reward Funds for Eliminating Outdated Production Capacity*, Cai Jian No. 873, at Article 3 (Dec. 11, 2007), attached as Exhibit VII-43.
[133] Ministry of Finance, *Notice of the Ministry of Finance on Printing and Distributing the Interim Measures for the Administration of Energy Saving and Emission Reduction Subsidy Funds*, Cai Jian No. 161 (May 12, 2015), attached as **Exhibit VII-47**.

promotion, and upgrading related to key priority energy conservation and emissions reduction technologies; and (vi) other relevant items.[134] The GOC allocates funds from the central government budget or through similar funds established by sub-central levels of government.[135] The Department has previously found benefits from energy conservation and emissions reduction grants to be countervailable.[136]

Reasonably available information also suggests that Chinese epoxy resin producers have benefited from grants under this program. For instance, the factory of Nan Ya Plastics (Guangzhou) Co., Ltd. has been designated as a digital technology plant by the GOC local government due to it being a zero-emission company.[137] This is consistent with the objectives of energy conservation and emissions reductions in the chemical industry.

The Department should therefore initiate an investigation to determine whether Chinese epoxy resin producers have received benefits under this program.

a) Financial contribution

Grants for energy conservation and emissions reductions constitute financial contributions within the meaning of section 771(5)(D)(i) of the Act because they are direct transfers of funds from the government.

b) Benefit

Pursuant to section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a), the program provides a benefit in the amount of the grants.

c) Specificity

[134] *Id*. at Art. 4.
[135] *Id*. at Art. 6.
[136] *See, e.g., Stainless Steel from China* IDM at 14. *See also Pea Protein from China Prelim* IDM at 11, 18, A-2.
[137] Nan Ya Plastics Corporation and Subsidiaries (Consolidated Financial Statements), attached as **Exhibit VII-48** at 56

As noted above, the measure pursuant to which the GOC grants the subsidy limits it to six types of applications. Accordingly, the actual recipients of the subsidy are limited in number within the meaning of section 771(5)(A)(D)(iii)(I) of the Act.

6. Grants for advanced manufacturing in the Jiangsu province

Jiangsu Province announced its official plan to boost "advanced manufacturing" in the province as part of the Made in China 2025 scheme, through various subsidies and financial incentives to eligible firms.[138]

In addition, Jiangsu's provincial capital, Nanjing, released its iteration of the GOC's State Council's Announcement No.5/2017, listing various measures to encourage foreign firms to operate in various designated areas in and around the city.[139] This includes several subsidy channels for eligible firms. As noted above, several Chinese epoxy resin producers are located in the Jiangsu province.[140]

The Department should therefore initiate an investigation to determine whether Chinese epoxy resin producers have received benefits under this program.

a) Financial contribution

Grants for Advanced Manufacturing in the Jiangsu Province constitute financial contributions within the meaning of section 771(5)(D)(i) of the Act because they are direct transfers of funds from the government.

b) Benefit

[138] *Opinions of the Jiangsu Provincial Government on Several Policies and Measures to Accelerate the Development of Advanced Manufacturing Industry and Revitalize the Real Economy* (April 6, 2017), attached as **Exhibit VII-64**.
[139] *Opinions of the municipal government on several measures to further expand opening up* (September 11, 2017), attached as **Exhibit VII-65**.
[140] Jiangsu Sanmu Group Co., Ltd, Chang Chun Chemical, China National Blue Star, Jiangsu Ruixiang Chemical, Jiangsu Yangnong Chemical, Kingboard Chemical, Kukdo Chemical, Nan Ya Epoxy Resin, Norsun Chemical, see Volume I of these petitions at Exhibit I-17.

Pursuant to section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a), the program provides a benefit in the amount of the grants.

c) Specificity

The program is *de jure* specific under section 771(5A)(D)(i) of the Act, because the central government designates projects and enterprises that will benefit.

D. Provision Of Inputs For Less Than Adequate Remuneration ("LTAR")

1. Provision of Electricity for LTAR

The GOC provides particular industries with discounted electricity rates in an effort to promote production. For example, between 2019 and 2021, the GOC provided $48 million to Jiangsu Xukuang Energy Co. Ltd., a publicly traded Chinese energy company in the Jiangsu province (where several epoxy resin producers are located).[141]

This evidence indicates that provincial governments like Jiangsu, where several epoxy resin producers are located, likely offer preferences such as discounted electricity rates to promote epoxy resin production. Given this evidence, the Department should investigate this program for the reasons detailed below.

The Department has previously determined that electricity rates differ across regions in China, and it has indicated that it would continue to investigate the provision of electricity for LTAR.[142] In previous investigations, the Department found that the National Development and Reform Commission ("NDRC"), not individual provinces, establishes electricity rates for the

[141] *See e.g. China: Government subsidies for listed company Jiangsu Xukuang Energy Co. Ltd* (Global Trade Alert), sourced by Jiangsu Xukuang Energy Co. Ltd financial disclosure statements found in the Wind database (www.wind.com.cn). (stating that in 2019, 2020, and 2021 the Shanghai-listed firm Jiangsu Xukuang Energy Co. Ltd (also known as Xukuang Energy) disclosed in its stock exchange filings the receipt of approximately USD 19 million, USD 17 million, and USD 13 million of government subsidies, respectively).
[142] *See* Issues and Decision Memorandum accompanying *Laminated Woven Sacks from the People's Republic of China*, 73 Fed. Reg. 3,639 (Dep't Commerce Jun. 24, 2008) (final affirm. countervailing duty deter. and final affirm. deter., in part, of critical circumstances) at 26-27 ("*LWS from China* IDM"); *see also* Issues and Decision Memorandum accompanying *Drawn Stainless Steel Sinks from the People's Republic of China*, 78 Fed. Reg. 13017 (Dep't Commerce Feb. 26, 2013) (final affirm. countervailing duty deter.) at 14-15.

provinces.[143] As the Department has explained, "{t}he GOC's {NDRC}, rather than individual provinces in {China}, is responsible for setting provincial electricity rates. Such rates vary by location including between various provinces in {China}."[144] There is a reasonable basis to believe that the NDRC uses discounted electricity rates as an industrial policy tool to advantage favored industry producers over those that the government deems "obsolete."[145]

This fact is especially important with regard to the issue of specificity. Indeed, as the central government appears to establish different rates for different provinces and even for certain types of favored producers, the subsidy is regionally specific or specific to favored producers. In *Boltless Steel Shelving from China*, the Department requested province-by-province information from the GOC on:

> (1) how increases in the cost elements in the price proposals led to retail price increases for electricity; (2) how increases in labor costs, capital expenses and transmission, and distribution costs are factored into the price proposals for increases in electricity rates; and (3) how the cost element increases in the price proposals and the final price increases were allocated across the province and across tariff end-user categories.[146]

Consistent with the Department's prior findings regarding the GOC's provision of electricity to the Chinese industry, Petitioner has reason to believe that the NDRC employs preferential electricity rates as a policy tool to promote and encourage the development of China's chemical industry and epoxy resin producers, specifically.

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[143] *See* Issues and Decision Memorandum accompanying *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China*, 73 Fed. Reg. 70961 (Dep't Commerce Nov. 24, 2008) (final affirm. countervailing duty deter.) at 29 ("Welded Line Pipe from China IDM"); *see also* Issues and Decision Memorandum accompanying *Certain Cold-Rolled Steel Flat Products from the People's Republic of China*, 81 Fed. Reg. 32729 (Dep't Commerce May 24, 2016) (final affirm. countervailing duty deter. and final partial affirm. critical circumstances deter.) at Appendix II *("CR Steel from China* IDM").
[144] *CR Steel from China* IDM at app. IL
[145] *Id*.
[146] Issues and Decision Memorandum accompanying *Boltless Steel Shelving Units Prepackaged for Sale from the People's Republic of China*, 80 Fed. Reg. 51775 (Dep't Commerce Aug. 26, 2015) (final affirm. countervailing duty deter.) at 7. The GOC did not provide the requested data.

Subsidies, including subsidized energy, "exist in all industries that the Chinese state and provincial governments consider economically or strategically important . . .."[147] The GOC has established that the state should retain "absolute control" over electricity generation and the state grid.[148] In addition to the central government, many provinces and local governments in China have established policies that provide preferential electricity rates to attract investment to their respective areas. In particular, both provincial and local governments have created special economic areas that offer numerous incentives to investors. In addition to tax incentives, investors often also receive additional concessions, including electricity fee waivers for facilities.[149]

Although data on the actual electricity rates paid by individual companies are not publicly available, Petitioner reasonably believes that Chinese epoxy resin producers benefitted from electricity for LTAR. Accordingly, as it has done in numerous other recent CVD cases against China, the Department should investigate this program.

a) Financial contribution

As noted above, the GOC has retained "absolute control" over the electricity generation sector, such that Chinese electricity generators are "authorities" in accordance with section 771(5)(B) of the Act. As the Department has previously determined, the provision of electricity at discounted prices is a financial contribution because the GOC is "providing goods or services" under section 771(5)(D)(iii) of the Act.[150]

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[147] *See* China's WTO Compliance and Industrial Subsidies: Hearing Before the US-China Economic and Security Review Commission, 109th Cong., 2nd Sess., 47 (Apr. 4, 2006) (statement of Dr. Usha C.V. Haley, Dir., Glob. Bus. Ctr., Univ. of New Haven), attached as **Exhibit VII-52**.
[148] U.S. Dep't of State, *China Country Commerce Guide: China - State Owned Enterprises* (Jul. 25, 2017), attached as **Exhibit VII-53**.
[149] *See* Shaun Breslin, *Foreign Direct Investment in China: What the Figures Don't Tell Us* (2004) (unpublished paper), Appendix 1, attached as **Exhibit VII-54**.
[150] *See, e.g.*, *Mobile Access Equipment from China Prelim* at 62.

b) Benefit

As the Department has previously determined, the GOC's provision of electricity constitutes the provision of a good or service "for less than adequate remuneration" under section 771(5)(E) of the Act. Consistent with section 771(5)(E) of the Act, the Department should determine the benefit to subject producers by evaluating the "price, quality, availability, marketability, transportation, and other conditions of purchase" in relation to the conditions available to other users of electricity in China and/or market principles. Petitioner also notes that Article 15 of China's WTO Accession Protocol allows the Department to "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions m China may not always be available as appropriate benchmarks."[151]

c) Specificity

Under section 771(5A)(D)(iii) of the Act, the provision of discounted electricity is *de facto* specific because officials use their discretion to administer the discounted rates to a limited group of preferred enterprises and industries; *i.e.,* to favored or priority industries such as the chemical industry, covering epoxy resins. Petitioner believes that GOC officials make these decisions pursuant to central and provincial government policy directives and measures. Petitioner also believes that China's provincial and local governments provide industries located in certain special economic areas with electricity at preferential rates. Accordingly, this program is also specific pursuant to section 771(5A)(D)(iv) of the Act because discriminatory pricing on a regional basis by a central government is specific under the statute.

2. Provision of land-use rights for LTAR

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[151] Accession of the People's Republic of China, Decision of November 10, 2001, World Trade Organization, WT/L/432 (Nov. 23, 2001), at Art. 15(b), included in Exhibit VII-35.

As the Department has previously concluded, the Chinese government, "either at the national or local level, is the ultimate owner of all land in China."[152] Private companies may purchase land-use rights, either from a government or from another holder of land-use rights, but the national and local governments do not provide the rights consistent with market principles.[153] As the Department has explained, "government land agencies across {China} control the allocation of land through the granting of land-use rights."[154] For example, Chinese national or local governments often take land from farmers without fair compensation and transfer the land to industrial users.[155]

Information relating to specific land-use rights purchases by Chinese epoxy resin producers is not reasonably available to Petitioner. However, publicly available information indicates that epoxy resin producers use land that they would have acquired through the opaque and preferential land sale processes prevalent in China.

In addition, China's policies instruct government agencies to provide land-use rights to favored projects and producers. For instance, the GOC's Decision No. 40 instructs "people's governments of all provinces, autonomous regions, and municipalities" to formulate policies on land in order to implement industrial policies.[156]

Epoxy resin producers are also eligible to receive discounted or free land-use rights due to their location in certain industrial zones. According to the GOC, a primary goal of these industrial zones is to implement "the strategy for the economic development of the coastal areas,

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[152] Issues and Decision Memorandum accompanying *Certain New Pneumatic Off The-Road-Tires from the People's Republic of China*, 72 Fed. Reg. 71360, 71369 (Dep't Commerce Dec. 17, 2007) (prelim. affirm. countervailing duty deter.). *See also* U.S. Dep't of Commerce, *China Country Commercial Guide: China -Protection of Property Rights* (Jul. 25, 2017), attached as **Exhibit VII-55** ("Land is entirely owned by the State").
[153] *Welded Line Pipe from China* IDM at 16.
[154] *CR Steel from China* IDM at app. IL
[155] *Welded Line Pipe from China* IDM at 16.
[156] State Council, *Temporary Provisions on Promoting Industrial Structure Adjustment*, No. 40 (Dec. 2, 2005), attached as **Exhibit VII-56**.

to bring {} into full play the advantages of the coastal areas, to actively promot{e} an export oriented economy, and to boost{} the modernization drive in building socialism in China."[157]

To pursue these goals, the GOC, including China's provincial and local governments, provides discounted land-use rights to encourage key enterprises and industries to locate themselves in industrial zones and to promote their exports. For instance, Chinese epoxy resin producer Jiangmen Sanmu Chemical Industry Co., Ltd. is located in Baimiao Industrial Zone, which provides a number of benefits including discounted electricity.[158]

Moreover, Chinese epoxy resin producers that are SOEs can also qualify for reduced land rates. As the Department has previously found, SOEs typically receive land-use rights for free.[159] News reports indicate that "state companies get low-cost or even free land from the government . . .. "[160] Indeed, according to the Unirule Institute of Economics, an independent Chinese think tank, SOEs have received subsidies such as "unpaid rent for using public land . . .."[161]

The GOC classifies state-owned urban land-use rights as either "granted" or "allocated," depending on how the GOC confers the rights.[162] According to the World Bank, "the allocated

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[157] Gov't of China State Council, *Development Zones* (Mar. 18, 1988), attached as **Exhibit VII-57**.
[158] Exhibit VII-10 ("Jiangmen Sanmu was established in September 1998 with the help of preferential policies of local government and supports of governments at all levels. In the past dozen years, Jiangmen Sanmu Chemical Industry has developed and grown with the care of local government and solid strength of Sanmu Group and become a medium-size chemical enterprise with 300Mu occupied area and more than 300 employees. The Company mainly produces 5 series of more than 80 varieties of epoxy resin, alkyd resin, acrylic resin, polyurethane resin and fatty acid.").
[159] *See Welded Line Pipe from China* IDM at 16.
[160] Dexter Roberts, *How China May Lose A Chance For Reform*, Bloomberg Businessweek (Oct. 11, 2013), at 1, attached as **Exhibit VII-58**.
[161] Duanjie Chen, *China's State-Owned Enterprises: How Much Do We Know? From CNOOC To Its Siblings*, Univ. of Calgary School of Public Policy, SPP Research Papers Vol. 6 Issue 19 (Jun. 2013) at 6, excerpts attached as **Exhibit VII-59**.
[162] Memorandum from Leah Wils-Owens Off. of Policy, Enforcement and Compliance, through P. Lee Smith, Deputy Assistant Sec'y for Policy and Negotiations, *et al.*, to Gary Taverman, Deputy Assistant Sec'y, AD/CVD Operations, re: China's Status as a Non-Market Economy (Oct. 26, 2017) at 101, attached as **Exhibit VII-60**.

land use right is usually given for free with no time limit . . ..”[163] Entities and individuals are eligible to receive allocated land-use rights, and the GOC does not require payment from the recipient for these rights.[164] Private entities or foreign investors, however, are ineligible to own or occupy allocated land.[165]

Further, even SOEs that have been partially privatized receive land for free or on a discounted basis.[166] The GOC permits recently privatized SOEs to keep free land appropriations that they previously received, allowing them to continue to use the land “free of charge.”[167] As a result, the GOC has implemented a land tenure system that provides preferences to SOEs. This preferential basis under which the GOC grants land to SOEs continues even through privatization or government-mandated mergers.

As it has in cases such as *Certain Iron Mechanical Transfer Drive Components from China*,[168] *Uncoated Paper from China*,[169] *Hardwood Plywood Products from China*,[170] and *Pea Protein from China*,[171] the Department should investigate this program and find that it provided countervailable benefits to epoxy resin producers.

a) Financial contribution

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[163] *Registering Property In China*, World Bank Group, attached as **Exhibit VII-61**.
[164] Memorandum from Leah Wils-Owens Off. of Policy, Enft and Compliance, through P. Lee Smith, Deputy Assistant Sec’y for Policy and Negotiations, *et al.*, to Gary Taverman, Deputy Assistant Sec’y, AD/CVD Operations, re: China’s Status as a Non-Market Economy (Oct. 26, 2017) at 101, attached as Exhibit III-69.
[165] *Registering Property In China*, World Bank Group, attached as Exhibit VII-61.
[166] Belton M. Fleisher, *Policy Reform and Chinese Markets: Progress and Challenges* (2008) at 54-56, excerpts attached as **Exhibit VII-62**.
[167] *Id.* at 55.
[168] *See* Issues and Decision Memorandum accompanying *Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China*, 81 Fed. Reg. 75037 (Dep’t Commerce Oct. 28, 2016) (final affirm. deter. of countervailing duty inv.) at 8-9, and cmt. 16 (“*IMIDC from China* IDM”).
[169] *See* Issues and Decision Memorandum accompanying *Certain Uncoated Paper from the People’s Republic of China*, 81 Fed. Reg. 3110 (Dep’t Commerce Jan. 20, 2016) (final affirm. countervailing duty deter.) at 23-35.
[170] *See* Initiation Checklist, Certain Hardwood Plywood Products from the People’s Republic of China (DOC Case No. C-570-052) (Dec. 8, 2016) (Public Version).
[171] *Pea Protein from China Prelim* IDM at 11, 18, A-1.

The provision of land-use rights by the GOC at the central and sub-central levels of government is a financial contribution in the form of the provision of goods or services within the meaning of section 771(5)(D)(iii) of the Act.

b) Benefit

The program confers a benefit to the extent that the GOC provides land-use rights for LTAR within the meaning of section 771(5)(E)(iv) of the Act. In previous investigations, the Department found that the GOC provides land-use rights for LTAR because the GOC's land prices are not consistent with market principles within the meaning of 19 C.F.R. § 351.511(a)(2)(iii). The Department recently confirmed that "{p}rivate land ownership is prohibited in China,"[172] that "the Chinese government has also used its ownership and control over land to support state industrial policies,"[173] and that, "in practice, compensation provided for expropriated land-use rights in China is inadequate."[174] A reasonable basis therefore exists to believe that the GOC provides land-use rights for LTAR under industrial policies for the development of the Chinese epoxy resin industry.

c) Specificity

GOC industrial policies favor producers of epoxy resins, as described in the sections above. Thus, there is reason to believe that the provision of land-use rights for LTAR is *de facto* specific because the recipients of the subsidy are limited on an enterprise and industry basis within the meaning of section 771(5A)(D)(iii)(I) of the Act. When the GOC limits access to this program to certain SOEs, the program is specific in accordance with section 771(5A)(D)(i) of the Act. With respect to preferential land use rights in special economic zones, the program is

[172] Memorandum from Leah Wils-Owens Off. of Policy, Enft and Compliance, through P. Lee Smith, Deputy Assistant Sec'y for Policy and Negotiations, *et al.*, to Gary Taverman, Deputy Assistant Sec'y, AD/CVD Operations, re: *China's Status as a Non-Market Economy* (Oct. 26, 2017) at 95, attached as Exhibit VII-61.
[173] *Id.* at 111.
[174] *Id*. at 105.

specific within the meaning of section 771(5A)(D)(iv) of the Act, because it provides land-use rights to enterprises within a designated geographical region (*i.e.*, industrial and special economic zones) within the jurisdiction of the authority providing the subsidy.

VII. CONCLUSION AND REQUEST FOR INVESTIGATION

As demonstrated above, information reasonably available to Petitioner shows that Chinese producers and exporters received countervailable subsidies provided by the GOC and provincial and local governments in China. Accordingly, Petitioner requests that the Department initiate a countervailing duty investigation on imports of certain epoxy resins from China.

Respectfully submitted,

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