

113 pages in total

Confidential material:

The applicant hereby applies for the confidential treatment of the material in the confidential section of this application, and has included an accompanying non-confidential summary of the confidential material.

To:

Ministry of Commerce of the People's Republic of China

**Anti-dumping and Anti-Subsidy Investigation Application
(Public Section)**

According to *Foreign Trade Law of The People's Republic of China*, *Anti-Dumping Regulations of The People's Republic of China (Anti-dumping Regulations)* and *Anti-Subsidy Regulations of The People's Republic of China (Anti-Subsidy Regulations)*, we hereby request for anti-dumping and anti-subsidy investigations on Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) exported to the People's Republic of China which originated and were manufactured in the United States, and imposition of anti-dumping duties and anti-subsidy duties.

September 9, 2009

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Part I Main Text

I Overview

(1) Interested Parties

1 The Applicant (Article 13 of *Anti-dumping regulations*, Article 13 of *Anti-Subsidy Regulations*)

1.1 Name, Address, Postal Code, Telephone, Facsimile, Website and Contact Person of the Applicant.

Applicant: The China Association of Automobile Manufacturers on behalf of the auto industry manufacturing Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc).

Name of Applicant : China Association of Automobile Manufacturers
Legal representative : Dong Yang
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Postal Code : 100823
Telephone : 010-68594182/5432/5128/
Fax : 010-68595243
Contact Person : Liu Xiaojing
Website : <http://www.caam.org.cn/>

(See Appendix 1: Certificate of Registration for Social Organization as Legal Person of the Applicant)

The China Association of Automobile Manufacturers is a voluntary, industry-based, national non-profit social organization consisting of enterprises, institutions and groups in automotive, motorcycle, auto parts and auto-related industries. Recently, based on evidence available, the Association discovered the impact of unfair trade patterns, such as in subsidies and anti-subsidy benefits for Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) imported from the United States into China's domestic market, causing disruptions in fair trade, and posing a real detrimental threat to similar products of domestic industries. According to the relevant provisions of the Articles of Association of the China Automobile Industry Association, a decision was made to submit an anti-dumping and anti-subsidy application to the Ministry of Commerce, which has the support of the member enterprises in the association which account for the production of the vast majority of similar products.

1.2 Annual Production Output and Ratio of Similar Products as Compared with Domestic Output by the Enterprises Supporting this Application in the Preceding Three Years

Table 1:

Unit: Vehicle

	Production volume of similar products by enterprises supporting this application	Total domestic production volume of similar products	Ratio of domestic production volume accounted for by the applicants
Year 2006		1050332	
Year 2007	<u>Information treated as confidential</u>	1489133	<u>Information treated as confidential</u>
Year 2008		1949167	
Jan-Sep 2009		1402362	

As can be seen from the table above, the enterprises supporting the investigation application represented by the applicant accounted for a ratio of information treated as confidential % of gross domestic production of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). In line with the main qualifying requirements of the Anti-dumping Regulations and Anti-Subsidy Regulations requested of the applicant, the applicant has the right to represent domestic industries of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), and to file for anti-dumping and countervailing investigations against manufactured Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) manufactured in the United States. (See Appendix 2: Evidence of Total Production Volume, Performance and Consumption of Domestic Saloon Cars and Cross-country Cars (of a Cylinder Capacity $\geq 2000\text{cc}$); Appendix 9: Indicative Data and Materials of Damages to the Applicant □□)

1.3 Name, Address, Zip Code, Telephone, Fax and Representing Attorneys of Representing Agents of the Applicant’s Anti-dumping and Anti-subsidy Investigations

Representing attorney of applicant’s anti-dumping and anti-subsidy investigations:	
Beijing Huan Zhong Law Firm	Wang Xuehua, Attorney, Lawyer’s License Number: 010094111899
	Wang Junfeng, Paralegal

	Liang Zhendong, Paralegal
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For the purpose of the subject of anti-dumping and anti-subsidy investigations, the applicant authorizes Beijing Huan Zhong Law Firm (Huan Zhong Law Firm) as its authorized representative involved in putting forth the anti-dumping and anti-subsidy applications and investigations, and as the specific authorized representative with power of attorney. (See Appendix 3: Power of Attorney). According to the commission mentioned above, Huan Zhong Law Firm has assigned Attorney Wang Xuehua to deal with all matters relating to the case. (See Appendix 4: Letter of Appointment of Attorney and Lawyers' License)

1.4 Introduction to the Domestic Industry (Article 10 of the *Anti-dumping Regulations* and Article 10 of the *Anti-subsidy Regulations*)

China's auto industry has experienced the stage of starting from scratch and has grown stronger in the last 30 years of reform and in an environment of opening up, especially in response to the challenges and opportunities since joining the WTO. It has made rapid development under international attention, becoming an important industry in supporting the development of China's national economy and a major component of the global automotive industry.

By 2008, three decades have passed since the reform and opening up of the country, which is also three decades of reform and opening up of China's auto industry. In three decades, China's vehicle production developed, from producing 149,000 vehicles to 9.5 million vehicles, and from less than 1% of world production to nearly 13%. In 2007, car ownership in China exceeded 43 million, ranking fourth in the world. The automotive industry employed 2.91 million people, and employed more than 30 million in related industries. Its main income was more than RMB 2 trillion, increasing by RMB 548.8 billion in value, accounting for up to 2.31% in proportion of GDP. The automotive industry's tax contribution to the state exceeded RMB 200 billion. The automobile industry has become a pillar industry of the national economy.

From the time China's automobile industry was founded and the first automobile factory was built in 1953 till late 2007 – half a century - it has accumulated a total

investment of more than RMB 600 billion; from the initial stage of national investment and self-manufactured trucks, to the period of reform and opening up, it has experienced multi-channel fund-raising, the introduction of thousands of items of globally advanced technology, built large enterprise groups such as the First Automobile Works (FAW), Shanghai Automotive Industry Corporation (SAIC), Dongfeng Motor Corporation (Dongfeng) and other enterprise groups with a production capacity of more than 1 million vehicles and their supporting spare parts enterprises, and initiated the construction of a global-scale motorcycle production industry. It has formed a relatively complete modern automobile industry with a comprehensive range of products, research and development, education, manufacturing, marketing, and other systems.

Since the reform and opening up, and with the rapid development of the national economy, China's auto industry entered a stage of fast growth. Especially after joining the WTO, in the market competition within the slowdown of the development in the global automobile industry, China's vehicle production achieved an average annual growth of 24.9% to become one of the world's top automobile-producing countries and consumer nations. It has undergone tremendous changes.

In the 1980s, the State made a series of reforms to the plans, prices, investment, finance, and marketing system of the auto industry. In 1984, when automobile production enterprises initially obtained the right to sell 10% of the products, and automobiles entered the market as a commodity, the State no longer had a monopoly on purchase and marketing. Manufacturing enterprises could sell and price products autonomously, establishing a marketing network mainly based on manufacturing enterprises. When the ban on private purchases of cars was lifted, the total supply and demand on the automotive industry market became active. As the market was not fully developed, and the organizational structure of the industry, the structure of the products of the enterprises, and the external environment were not yet able to meet the growth in consumer demand, it created a "blowout" situation for two consecutive years - in 1985 and 1986. A cost of US\$ 5 billion was spent on imports of 500,000 vehicles, of which 150,000 were saloon cars. In these two years, the average share of imported cars accounted for 38.4% of the domestic market share, of which saloon cars accounted for 89.8%, while resources for the manufacture of domestic saloon cars were less than 20,000. Through the "Eighth Five-Year Plan" and the "Ninth Five-Year Plan" in the 1990s, the whole industry raised more than RMB 120 billion of development funds through various channels (7.8 times the amount of investment in the eighties), and introduced more than 300 kinds and nearly 600 items of advanced technology from abroad (including 27 kinds of full vehicle technology), utilizing foreign capital to establish 557 joint ventures (including seven sedan joint ventures in seven saloon car enterprises). The amount of total foreign investment obtained through agreements was US\$ 6.54 billion, which was used to build the manufacturing projects with an annual output of 150,000 saloon cars of four enterprise groups of Shanghai, FAW, Tianjin, and Dongfeng, and together with the Shanghai Volkswagen Phase 2 project, Beijing Jeep,

Chang'an Suzuki, FAW Car, Guangzhou Honda, Shanghai GM and Guihang's 10 sedan manufacturing enterprises and the 4 ALTO sedan assembly plants of China Ordnance Equipment Group Corporation, to form an annual production capacity of nearly one million saloon cars. In the meantime, rapid increase in the localization rate of projects for car spare parts had caused it to develop simultaneously with projects for vehicles. At the end of 1998, with joint ventures and the introduction of more technology, the localization rate of products was 60% or more, and the products which had a head start had a localization rate as high as 80-90% (the localization rate for products with a head start were 40% and above). The auto spare parts enterprises accelerated into realization from trucks to cars, from a single type of product supporting a single model into a variety of ranges of products for various models, from mapping, copying, processing to the introduction of technology and independent research. The overall production capacity of the industry and the level of car products increased rapidly. The "Sixth Five-Year Plan", "Seventh Five-Year Plan" solved the problem of "lack of heavy and light trucks", and the main focus of the "Eighth Five-Year Plan" and the "Ninth Five-Year Plan" were to increase investment in car projects and their component parts, forming a major force composed by seven enterprise groups: FAW, Dongfeng, Zhongqi, China National Heavy Duty Truck Group, Shanghai, Beijing, Tianjin, as well as three military-turned-civilian enterprises in ordnance, aviation and aerospace.

China's automobile industry grew in strength in the reform and opening up, rapidly becoming one of the world's largest automobile manufacturer and consumer, and since joining the WTO six years ago, it has achieved the most prominent and fastest sales growth in history. However, from the comprehensive performance and competitive strength of the automobile industry, it can be seen that the gap between China and the developed countries remains large. In recent years, multinational companies in the global automobile industry have been taking advantage of global resources to achieve investment, development, production, procurement and sales optimization, to adapt to different environments and the preferences and needs in regional markets, so as to enhance their competitiveness and gain competitive advantages. Even though China has large enterprise groups with a production capacity of 1 million or more vehicles, there is still a large difference when compared with multinational corporations.

The output of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) in China in 2007 increased by 42% as compared with 2006 and it increased by 31% in 2008 as compared with 2007. U.S. exports of the same type to China increased by 59% in the same period in 2007 as compared with 2006, and it increased by 28% in 2008 as compared with 2007. Comparing the quantities, it can be seen that the import growth of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) and the growth rate of Chinese-made models are the same, and even in 2007, the growth rate was higher than the growth rate of similar products in China.

At the same time, China has an apparent consumption of Saloon cars and

Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). The total domestic demand for Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) from 2006 to 2008 was 1,063,952, 1,471,225 and 1,925,366 respectively. There was a year-on-year increase of 38.28% in 2007 as compared with 2006, and a year-on-year increase of 30.87% in 2008 as compared with 2007. Domestic demand has been increasing every year.

Sedan and off-road vehicles (of a cylinder capacity $\geq 2000\text{cc}$) belong to high-tech and high value-added products, and are one of the products that China's automobile industry is focusing on in terms of development. In recent years, with the rapid development of China's national economy, the consumption level of the population is rapidly increasing, providing the foundation for the automobile market to prosper. The market demand for Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is constantly growing, and China's automobile enterprises have adapted to market dynamics and invested heavily in the introduction of related technology or independent development, establishing production lines and related supporting systems. The production of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) in China's automobile enterprises is able to meet the consumption levels and demands of the domestic market.

1.5 Other Import Relief Sought

The applicant is raising an anti-dumping and anti-subsidy application for the first time since the implementation of the *Anti-dumping Regulations of the People's Republic of China* and the *Anti-subsidy Regulations of the People's Republic of China*, targeting at the dumping and subsidized exports of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) originating from the United States to China. Prior to this, there was no application for trade relief or any other legal action made under the *Foreign Trade Law of the People's Republic of China* and its relevant laws and regulations towards any enterprise or organization exporting Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) to China.

2 Overview of the Subject Product, Scope of Investigation, Manufacturers and Exporters of the Subject Product

2.1 The Subject Product and the Scope of Investigation

The Subject Product: Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$)

Scope of Investigation: Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) manufactured in the United States, which were dumped and exported under subsidies into China.

2.2 Name, Address, Zip Code, Telephone, Facsimile of Manufacturers and Exporters of the Subject Product

2.2.1 U.S. Manufacturers of the Allegedly Dumped Product with Subsidies: (include, but are not limited to the following manufacturers)

- 1) Company: General Motors Corporation (GM)
Address: 100 Renaissance Center, Detroit, MI 48265-3000
Telephone: 313-667-3800
Facsimile : 313-556-5000

- 2) Company: Ford Motor Co.
Address: One American Road, Dearborn, MI 48126, United States
Telephone: 313-322-3000
Facsimile: 313-845-7512

- 3) Company: Chrysler Motors Corporation
Address: 1000 Chrysler Dr., Auburn Hills, MI 48326
Telephone: 810-576-5741
Facsimile: 810-956-3747

2.3 Major Importers of the Subject Product

According to the applicant's understanding of the situation, the status and specific import information of China's major importers such as the contracts, copy of bill of lading, commercial invoices, packing list and mailing address have been filed in the Chinese customs. The applicant has provided all the possible information according to the best of their knowledge.

The applicant has identified the following major importers in China:

- 1) Company: Chrysler (China) Automobile Sales Co., Ltd.
Address: Floor 11-12, West Tower, Dawning Center, No. 500, Hong Bao Shi Road, Changning District, Shanghai
Zip Code: 201103
Telephone: 400-6500-118
Website: www.chrysler.com.cn/cn

- 2) Company: Shanghai General Motors Co., Ltd.
Address: No. 1500, Shengjiang Road, Pudong New Area, Shanghai
Zip Code: 201206
Telephone: 021-28902890
Website: <http://www.shanghaigm.com/>

(II) Import Volume and Price of the Subject Product

1 Specific Description of the Subject Product (Article 14 (2) of the *Anti-dumping Regulations* and Article 14 (2) of the *Anti-subsidy Regulations*)

1.1 Name and Description of the Subject Product:

Name: Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc)

Description: Passenger cars with an engine of cylinder capacity \geq 2000cc

Product usage: Widely used for public road transportation

English name: Saloon cars and Cross-country cars¹ (of a cylinder capacity \geq 2000cc)

1.2 Serial Number, Country of Origin and Exporting Country of the Subject Product in the Customs Tariffs of the People's Republic of China

Tariff serial number: (Appendix 5: Import and Export Customs Tariffs of the People's Republic of China, 2009 version) 87032334, 87032335, 87032430, 87032440, 87032490, 87033340, 87039000, 87032361, 87032362, 87032411, 87032412, 87032419, 87032421, 87032422, 87032429, 87033312, 87033322, 87033361, 87033362, 87039000.

Country of origin, exporting country and region: the United States. The import customs tariff for Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) was 25% in 2008.

2 Comparison between the Subject Product and Similar Products in China's Domestic Industry

2.1 Similarities between the Subject Product and Similar Products in China

The Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) manufactured in China and the Subject Product are made up of four basic components, namely the **engine, chassis, body and electrical equipment**.

The **engine** powers the car and constitutes two large mechanisms and five major systems. They are the crank-connecting rod mechanism and valve mechanism, as well as the fuel supply system, cooling system, lubrication system, ignition system and start-up system.

¹ There are different translations regarding the English name of the Subject Product. It can be named as passenger car, SUV-Sport Utility vehicle or it can also be sedan, Cross-country car. Assume based on the specific description of the Subject Product.

The **chassis** is used for supporting and installing the car engine and its various components and assembly parts, forming the overall model of the vehicle; when powered by the engine, the vehicle begins to move and normal driving operation is ensured. The chassis is made up of the transmission system, driving system, steering system and braking system.

The **body** is installed on top of the vehicle's chassis to support the load of the driver, passenger or cargo. It mainly includes the body shell (white body), doors, windows, front metal sheets, interior and exterior body parts and accessories, chairs, as well as the ventilation unit, heating unit, air-conditioning unit and so on.

The **electrical equipment** is made up of the power supply and electrical equipment. The power supply includes batteries and generators while the electrical equipment includes the engine start-up system, gasoline ignition system and other electrical devices.

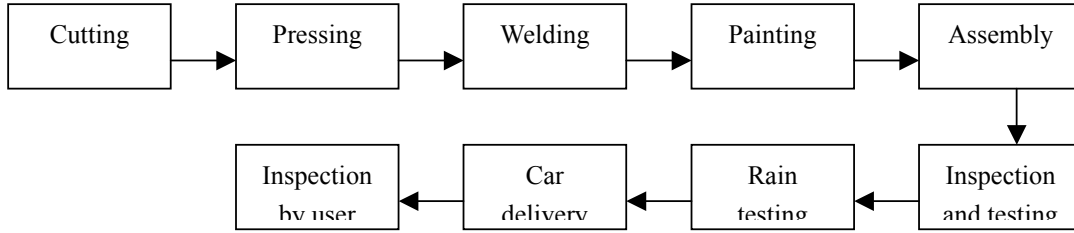
As compared to the similar products in China, the Subject Product has the same basic structure (**engine, chassis, body and electrical equipment**) and works on the same principle (power-driven and non-rail vehicles for carrying load).

2.2 Similarities in the Manufacturing Process and Technology between the Subject Product and Similar Products in China

The manufacturing process for the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) produced in China includes the four technological processes of **pressing, welding, painting and assembly**. **Pressing** involves pressing steel into the outer covering of the vehicle while the **welding** process joins the steel plates together after pressing. In the **painting** process, paint is sprayed onto the welded car body after the rough edges and blemishes on the outer covering are removed and anti-corrosion treatment is given to the chassis. The **assembly** process involves installing beams, shock-resistance, transmission, engine and other systems on the painted car body, and thereafter, lifting the body from top to bottom off the chassis to carry out interior installations, which include glass, wipers, seats, etc. In addition, the radiator (water tank), hydraulic system, fuel system, wheels, etc. are also installed.

There is no difference in the manufacturing process and technology between the Subject Product and the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) produced in China, and production assembly line and manufacturing equipment are also similar.

The production flow chart used by the applicant is as follows:



2.3 Similarities in the Usage of the Subject Product and Similar Products in China

The Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) produced in China are mainly used to carry passengers, their carry-on baggage and/or temporary objects, which is similar to the usage for the Subject Product.

2.4 Similarities and Differences

Based on the above analysis, the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) produced in China are identical and comparable to the Subject Product in terms of the basic structure, working principle, usage, as well as manufacturing process and technology. Therefore, the two are considered similar products.

3 Export Volume and Value of the Subject Product into China in the Three Years Prior to the Date of this Application (Article 14 (4) of the *Anti-dumping Regulations* and Article 14 (4) of the *Anti-Subsidy Regulations*)

Table 2: Export Volume and Value Volume Unit: Vehicle Value Unit: USD

Period	United States			Total			U.S. export proportion
	Volume	Value	Weighted average price	Volume	Value	Weighted average price	
2006	21204	672417530	31711	161890	5837185333	36056	13.10%
2007	33732	1012195191	30007	234493	8396427505	35807	14.39%
2008	43240	1823642917	42175	299132	12122085647	40524	14.46%
Jan-Aug 2008	25923	1092650918	42149	208153	8544796754	41051	12.45%
Jan-Aug 2009	27347	1245546643	45546.01	150784	6037614340	40041.48	18.14%

Note: The export proportion refers to a country or region’s import volume as a proportion of China’s total import volume.

Table 3: U.S. Total Export Volume and Export Volume as a Proportion of China's Total Imports

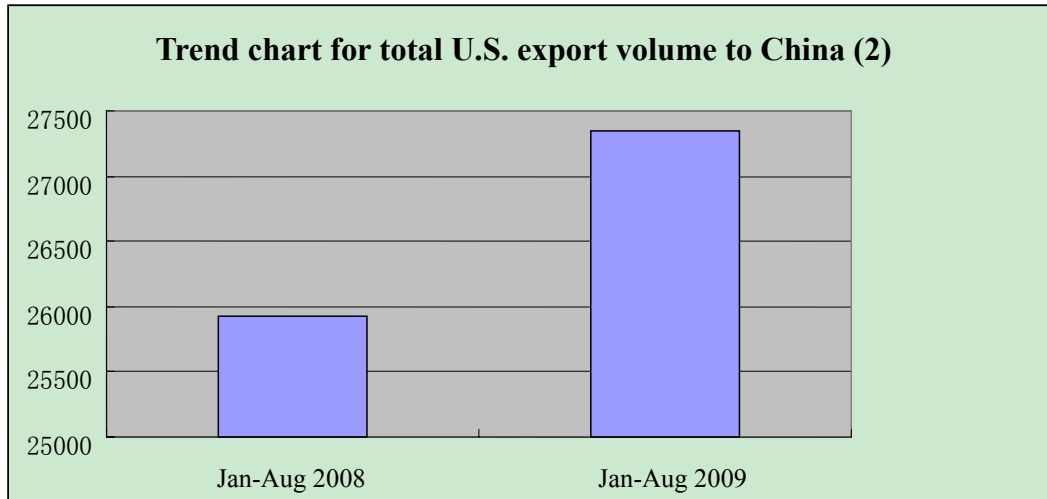
Period	Total U.S. export volume to China	China's total import volume	U.S. import volume fluctuations	Proportion
2006	21204	161890		13.10%
2007	33732	234493	59.08%	14.39%
2008	43240	299132	28.19%	14.46%
Jan-Aug 2008	25923	208153		12.45%
Jan-Aug 2009	27347	150784	5.49%	18.14%

Note: The above figures are obtained from the General Administration of Customs (refer to Appendix 6: China Customs Import and Export Statistics).

3.1 Trend Charts for Export Volume

Unit: Vehicle





3.2 Actual or Legitimate Price of the Subject Product in the Three Years Prior to the Date of this Application (Article 5 and Article 14 (4) of the *Anti-dumping Regulations* and Article 14 (4) of the *Anti-Subsidy Regulations*)

Table 4:

Unit: USD / Vehicle

Period	Weighted average price in U.S.
2006	31711
2007	30007
2008	42175
Jan-Aug 2008	42149
Jan-Aug 2009	45546

Note: The above figures are obtained from the General Administration of Customs (refer to Appendix 6: China Customs Import and Export Statistics).

1 The U.S. export prices in the table are based on the weighted average prices calculated from the volume and value of cars imported from the United States to China.

Formula: Export price = Import value from the country/region ÷ Import volume from the country/region

3.3 Trend Charts of Price Fluctuations

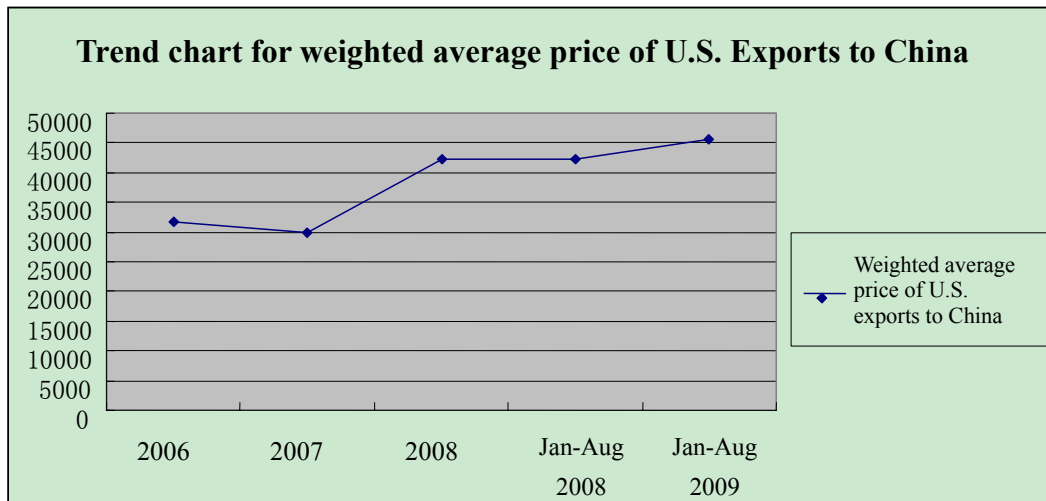
Table 5:

Unit: USD

Year	Average price of applicant (Based on the exchange rates in that year)	U.S. exports to China Weighted average price
2006	<u>Information treated as confidential</u>	31711
2007		30007
2008		42175
Jan-Aug 2008		42149
Jan-Aug 2009		45546

Trend chart:

Unit: USD / Vehicle



Explanation: From the above trend chart of the price fluctuations of U.S. exports during the investigation period, the prices of the Subject Product exported from the United States to China have been increasing steadily. In comparison with the prices of the applicant in China, the U.S. product prices have constantly limited local product prices, and the price restriction is very significant for the Subject Product.

3.4 Status of Expenses and Amount Incurred in the Various Trade Segments (Article 6 of the *Anti-dumping Regulations*)

Please refer to II (I) 1.2 and II (II) 1.2 of the first part of this application.

3.5 Special Request: Contents which the Applicant has Requested for Investigation by the Authority (Article 19 of the *Anti-dumping Regulations*)

The applicant would like to request for the authority to investigate the relevant situations in item 3.3.

4 Consumer Prices or Production Costs for the Subject Product in the Normal Trading Channels in the Export Country/Region or the Country/Region of Origin (Article 4 and Article 14 (2) of the *Anti-dumping Regulations*)

4.1 Consumer Prices in the Normal Trading Channels in the Export Country/Region or the Country/Region of Origin

In view of the reasons given in “III Relevant Information on the Calculation of Normal Value” below.

4.2 Export Prices for Third Countries

In view of the reasons given in “III Relevant Information on the Calculation of Normal Value” below.

4.3 Structural Prices: Price of Production Costs Plus Reasonable Expenses and Profits

In view of the reasons given in “III Relevant Information on the Calculation of Normal Value” below.

5 U.S. Manufacturers have Received Extensive Subsidies and Support from the U.S. Government (Article 15 (1) of the *Anti-Subsidy Regulations*)

For many years, the U.S. federal and state governments have provided vast subsidies for the U.S. auto industry, which include, but are not limited to, the following direct or potential support:

- Project subsidies;
- Various tax preferential policies of the federal government;
- Federal research grants;
- Buy American Act;
- Loan guarantee;
- State and local subsidies for the U.S. auto industry.

The table below shows that these subsidies and measures have enabled the car and off

road vehicle industry with exhaust volumes of 2.0 liters or more to export the allegedly dumped products at relatively lower prices to China, which greatly restricts the prices of similar products in China. Moreover, with these subsidies, the volume of similar products exported by U.S. manufacturers to China will continue to experience sustainable growth.

Table 6:

Unit: USD / Vehicle

Year	U.S. exports to China Weighted average price	Average price of applicant (Based on the exchange rates in that year)
2006	31711	<u>Information treated as confidential</u>
2007	30007	
2008	42175	
Jan-Aug 2009	45546	

II Estimated Dumping Margin of Allegedly Dumped Product (Article 3 and Article 6 of the *Anti-dumping Regulations*)

Dumping margin of U.S. Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc)

(I) Export Price

1 Export price of allegedly dumped product

1.1 Export price before adjustment

Chart 7

Unit: USD / vehicle

	U.S. export volume to China	U.S. export value to China (USD)	Average export price to China
September 2008 to August 2009	44664	1976538643	44253.51

Note: The above price is obtained from the General Administration of Customs (refer to Appendix 6: Chinese Customs Import and Export Statistics).

The average export price is the weighted average price (CIF export price) calculated based on the export volume and export value of U.S Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) during the above-mentioned period.

1.2 Items Requiring Adjustment

Based on the above-mentioned export price, the following items shall be adjusted:

A. Increase of the following charges:

Taxes on commodities or accessories that should be collected but for some reason was not collected or returned. The calculation of the dumping margin of the allegedly dumped product based on the comparison of factory price (exclude tax) shall no longer be considered.

B. Deduction of the following charges:

International shipping charges, international insurance fees, port fees, domestic transportation charges, domestic insurance fees, packaging fees, deductibles, commissions, credit costs, storage charges, commodity inspection fees, tariff and other charges. These charges can be divided into overseas and domestic charges.

The overseas charges mainly consist of international shipping charges, international insurance fees and loading and unloading charges. For the adjustment of external charges, the applicant understands that the insurance rate of international shipping is about 0.03% and the international shipping charge is about US\$ 2,000 per vehicle. The exact rates or costs within the United States are currently unavailable. The applicant, based on shipping and insurance fees that constitute 1.6% of the total sales charges, determined the U.S. internal charges to be about 1% of the FOB export price (refer to Appendix 7: proof of shipping insurance premium rates, proof of shipping charges, proof of the ratio of shipping and insurance fees to the total sales charges). Therefore, the price after adjustment will be calculated as follows:

$$\text{Export price after adjustment} = (\text{Export price before adjustment} \times (1 - 0.033\%) - 2000) \times (1 - 1\%)$$

According to international trade norms, the insurance fee is usually calculated by multiplying the CIF price by 110%. Therefore, the insurance fee is calculated by multiplying the insurance amount with the insurance rate. Thus, when deducting the insurance fee, this should be set as 0.033% of the CIF price.

1.3 Export Price after Adjustment

Table 8

Unit: USD / vehicle

Export price of U.S. vehicles to China	U.S. export price to China before adjustment	U.S. export price to China after adjustment
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September 2008 to August 2009	44253.51	41816.52
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2 Reservation of Applicant's Rights

The applicant reserves the right to make changes and to determine the export price as stipulated in Article 5 (2) of the *Anti-dumping Regulations*.

(II) Normal Value

1 Normal Value of Allegedly Dumped Products

1.1 Normal Value before Adjustment

With reference to the reasons given in "III Relevant Information on the Calculation of Normal Value", and Article 4 (2) of the *Anti-dumping Regulations*, the calculation of the normal value is based on the sale prices of three types of similar vehicles within the United States.

1.2 Items Requiring Adjustment

Adjustments to be made to the credit costs, storage charges, quality assurance fees, rebates, domestic transportation charges, commissions, and other charges pertaining to trade. The applicant may adjust the above-mentioned charges, which constitutes 1.5% of the total domestic charges.

1.3 Normal Value after Adjustment

Table 9

Unit: USD / vehicle

Normal value in the United States	Normal value before adjustment	Normal value after adjustment
September 2008 to August 2009	52103.33	51321.78

2 Reservation of Applicant's Rights

The applicant reserves to right to make changes and to determine the normal value as stipulated in Article 4 of the *Anti-dumping Regulations*.

(III) Estimated Dumping Margin

Chart 10

Unit: USD / vehicle

U.S. dumping margin from September 2008 to August 2009	
Export price (before adjustment)	44253.51
Export price (after adjustment)	41816.52
Normal value (after adjustment)	51321.78
Absolute dumping volume *	9505.26
Dumping margin **	21.48%

Note: Absolute Dumping Volume * = Normal Value (After Adjustment) – Export Price (After Adjustment) Dumping Margin ** = Absolute Dumping Volume ÷ Export Price (Before Adjustment)

III Relevant Information on the Calculation of Normal Value

Article 4 of the *Anti-dumping Regulations of the People’s Republic of China* stipulates that the calculation of normal value will be based on the following: (1) where there is a comparable price for a similar product in the market of the exporting country/region in the ordinary course of trade, that comparable price shall be the normal value; (2) where there are no sales of a similar product in the market of the exporting country/region in the ordinary course of trade, or the price or quantity of such product cannot be compared with that of the imported product on a fair basis, the comparable price of export of the product to an appropriate third country/region, or the cost of the similar product in the original country/region of its production plus reasonable expenses and profits, shall be the normal value. (Structural price)

Therefore, based on Article 4 (2) of the *Anti-dumping Regulations*, the price in the U.S. domestic market of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) shall be the normal value.

IV Benefits from Subsidies of U.S. Subject Product where Anti-subsidy Measures are Applicable

(I) The *Anti-subsidy Regulations of the People’s Republic of China* is Applicable to the Subject Product Imported from the U.S. (Article 2 and Article 13 of the *Anti-subsidy Regulations*)

1 Legal Basis for the Proposal of Anti-subsidy Investigation

Article 2 of the *Anti-subsidy Regulations of the People’s Republic of China* stipulates: “Where an imported product to which a subsidy is granted causes substantive damage or threat of substantive damage to an established domestic industry, or causes substantive hindrance towards the establishment of such industry, an anti-subsidy investigation shall be initiated and anti-subsidy measures shall be applied in

accordance with the provision.” Article 13 states: “Any domestic industry or natural person, legal person or relevant organization on behalf of the domestic industry (hereinafter collectively referred to as “the applicant”) may submit a written application to the Ministry of Commerce for an anti-subsidy investigation in accordance with the provision.”

Based on the above provisions, the applicant simultaneously filed an application for anti-subsidy investigation on the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) imported from the United States.

2 The Applicant has the Right to Propose an Anti-subsidy Investigation against Products Imported from the United States (Article 3 (2) of the *Anti-subsidy Regulations*)

According to Article 3 (2) of the *Anti-subsidy Regulations of the People’s Republic of China*: “The subsidy, the government or any public body of an exporting country/region is hereinafter collectively referred to as “the government of an exporting country/region”. The applicant deemed that the financial assistance and benefits that the U.S. government grant to the industry producing Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) has already caused a significant price suppression of similar products within the Chinese domestic market when the U.S. products are imported to China. This also resulted in an increasing export margin of the subsidized product under investigation, which caused substantive damage to the domestic industry that produces Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$).

(II) Name, Address, Zip Code, Telephone and Facsimile of Manufacturers of Allegedly Subsidized Products

Manufacturers:

- 1) Company: General Motors (GM)
Address: 100 Renaissance Center, Detroit, MT 48265-3000
Telephone: 313-667-9800
Facsimile: 313-556-5000

- 2) Company: Ford Motor Co.
Address: One American Road, Dearborn, MT 48126, United States
Telephone: 318-322-3000
Facsimile: 313-845-7512

- 3) Company: Chrysler Motors Corporate
Address: 1000 Chrysler Dr., Auburn Hills, MI48326
Telephone: 810-576-5741

Facsimile: 810-956-3747

(III) The Development and Current Situation of Subsidy Policies in U.S. Automobile Industry

(1) Introduction to the Development Phrases of the U.S. Automobile Industry

The first automobile fair in U.S. history was held in November 1900 at the Madison Garden Square in New York City. From the various automobile fairs, we can see the development history of the U.S. automobile industry and also the development of the models and functions of automobiles in the U.S. automobile industry.

In late 19th century, the U.S. economy had achieved a relatively high level of development and was among the world's leaders in terms of industrial production. The development of the steel and petrochemical industries provided the conditions for the development of the automobile industry. In 1908, Ford Motors introduced the famous Ford T-model. This model, which cost less than US\$ 500 and was later reduced to US\$ 300, was 1/4 and even 1/10 of the prices of similar motor vehicles at that time, and an average American worker can afford one with one year's worth of income. Ford's T-model strategy allowed motor vehicles to truly become transportation for the public. In 1931, Ford Motors revolutionized the automobile industry by being the first to use the assembly line to manufacture cars. After this, the United States saw a peak in the popularization of motor vehicles.

Phrase 1: 1900 - 1915. Seven years after Henry Ford invented the world's first automobile vehicle in 1893, mass production of motor vehicles began and humans started to enter into the era of motor vehicles. Oldsmobile, founded in 1887, is the oldest automobile manufacturer in the United States. The Doctor Coupe produced by the company in 1903 was a single-tank engine motor vehicle, and was also the first model that the company mass-produced with an output of 4,000 in 1903. The Ford Model T produced by Ford Motors in 1909 created a new era for motor vehicles, and can be considered the pioneer in making motor vehicles a transportation tool for the public in the United States and even in the whole world as it was the first motor vehicle in the world to be manufactured from the assembly line. The media at that time voted Ford Model T as the most important motor vehicle invention of the 20th century. Ford Motors mass-produced and improved the Model T car and at the same time reduced its price. As a result, the lifestyle of mankind was changed. In 1908, General Motors, the current largest automobile manufacturer in the world, was established. Through the efforts of these two companies, the performances of cars improved by leaps and bounds and sales increased rapidly. In 1916, U.S. car sales hit 1 million for the first time and went on to set another milestone of exceeding 2 million in 1920.

Phrase 2: 1916 - 1929. Car manufacturing was maturing during this period. More and more middle-class people were able to own cars, and the car model has become an

important component in car manufacturing. General Motors became the first company to create an artistic and color production department. During this period, it was fashionable for the rich and affluent to tailor-make their car bodies, that is, buying first the mechanical parts of the vehicle and then designing the body of the car. Although a lot of classic car designs came from this period, it was expensive and impractical to tailor-make the car body. Cadillac, founded in 1902, was famed for its excellent mechanical parts. The company once set a record of disassembling three cars, mixing up the parts, and re-assembling them again. This was meant to show that Cadillac's car parts were standardized and uniformed. On the other hand, Pierce Arrow, a reputable high-end car manufacturer, operated in Buffalo City at the Upstate of New York from 1901 to 1938. In its early days, the company used aluminum alloy for the car body and installed power brakes. During this period, to meet the demands of consumers, the U.S. automobile industry had already produced 8-tank engine sports cars which can run up to 115 miles per hour. In 1925, U.S. third largest automobile company Chrysler was established. Just before the Great Depression, the sales of U.S. cars exceeded 5 million.

Phrase 3: 1930 - 1942. Using the principle of aero-dynamics, the designs of car engines saw tremendous improvements. However, the outbreak of World War II resulted in car manufacturers turning to the production of military vehicles and machinery, and there were not many developments in the exterior designs of cars. The jeep, with virtually no exterior design, arose out of practical requirements. Packard Motors manufactured seven types of high-performing Packard Speedster cars that can run up to 100 miles per hour, which were considered the icon of luxury cars of that era. At that time, there were 15 manufacturers of luxury cars globally, and Packard Motors dominated 50% of that market. Franklin Sport Runabout operated in Snow City of New York from 1902 to 1934, and cooling systems were beginning to be installed on car engines.

Phrase 4: 1946 - 1959. With the arrival of the jet plane era, car bodies moved towards a lower, longer and wider design. In addition, large car spoilers were also added to the back of cars. The car models during this period had two characteristics, the collision avoidance design and car spoilers. The classic American car in the 1950s was the Station Wagon, which symbolized the wonderful suburb family living. During this period, Ford's Thunderbird became the spokesperson of its sports cars. An 8-tank and 2-seater convertible with movable fiberglass top, the 1955-produced Thunderbird received numerous praises for its elegant design and was also known as the symbol of private cars for its easy controls. In 1958, the U.S automobile manufacturers specially designed the one and only Dual Ghia 100 proto-type model for the New York International Automobile Fair. It possessed a horsepower of 400 (294 kW) and a capacity of up to 140 miles (224km) per hour, and was equipped with the compact cassette car stereo that was the dream of every car fans at that time.

Phrase 5: 1960 -1979. The concept of “bigger is prettier” for car models was phased out by consumers and traditional and conservative models became the vogue, with mini-cars represented by the Beetles becoming widely popular. Some other reasonable-priced mini-cars such as Mustang and Corvette were also popular and the market for mini-cars began to grow. Similar mini-cars were manufactured in the Big Three of the U.S. automobile industry, with Ford’s Mustang leading the mini-car revolution in 1964. The Jaguar E-type model won over consumers with its sleek and streamlined design. When Jaguar XKE Coupe was on display for the first time in the 1961 New York International Automobile Fair, it created an immediate sensation. This 2-seater and 2-door convertible can run up to 150 miles (240km) per hour. Coupled with its innovative independent rear suspension system, the Jaguar XKE Coupe was the star of the Automobile Fair that year.

Phrase 6: 1980 – 2000. Since the 1980s the U.S. automobile industry was faced with strong challenge from the Japanese automobile industry. Companies such as Honda, Nissan, Mitsubishi and Fuji began to set up factories in the United States. In order to compete with the Japanese cars, the U.S. automobile industry introduced the minivan, a dual-function passenger car that can be used for carrying cargo, which became the favorite car for families. The exterior of the minivan is similar to a typical mini-car, but with an increased space by 1/3 at the back of the car. When driving, the minivan is also similar to typical mini-cars. In addition, the design of family cars, coupes, and sports cars paid more attention to streamlined designing, which was a departure of the straight line design of the past 20 years. In the 1990s, the MVP became popular as many Americans liked the car for its cargo-carrying and cross-country functions on top of transporting them to and from work.

From the early 20th century till now, the U.S. automobile industry has gone through more than a hundred years of history. In face of intense competition with its rivals, the automobile industry continues to innovate and appeal to the consumers’ demand for car models and capabilities. This allowed the U.S automobile industry to dominate the global automobile industry, enabling the United States to become a worthy automobile power and industrial power. Through this process, General Motors not only became the world’s largest automobile company, it also became a leading MNC (General Motors’ sales figures for the financial year of 1993 amounted to US\$ 133.6 billion, which was equivalent to 45% of China’s GDP in the same year. General Motors consumed more than 10% of the United States’ steel production and more than 25% of rubber production).

(2) History and Current Situation of U.S. Automobile Industry Subsidy Policies

In the policies of the past U.S. administrations for the automobile industry, the Democrats are more enthusiastic about introducing various policies that will protect the U.S. automobile industry. The policies related to the automobile industry proposed by former U.S. presidents Carter and Clinton were all made with an

objective to protect the U.S. automobile industry, but they did not help in realizing the purpose of improving the competitiveness of the industry; instead, the policies eventually resulted in the decline of the industry.

In mid-September of 2008, the U.S. subprime crisis escalated suddenly and ballooned into a global financial crisis. As a result, the global economic growth slowed down drastically and affected the global automobile industry. In the United States, with the economic decline, increase in unemployment and sluggish individual consumption, the automobile industry, being a consumer staple, was hit badly. According to the data released by the Automotive Data Company, an U.S industrial research agency, the U.S. car sales in November 2008 dipped by 36.7% to 746,789 vehicles, which was the lowest since October 1982. In that month, the car sales of General Motors, Ford and Chrysler decreased by 41%, 31% and 47% respectively.

With large sales decline, the U.S. Big Three in the automobile industry were facing bankruptcy. Both General Motors and Chrysler announced that their liquidity funding could only last them a few weeks, and if they couldn't get government aid promptly, they might be faced with bankruptcy. The automobile industry is an important component in the U.S. economy with statistics showing that General Motors, Ford and Chrysler directly employed 239,000 workers in the United States and 2.5 million workers through other relevant industries. Investors were worried that the bankruptcies of the Big Three will severely affect the U.S. economy, and the stock markets across the world fell drastically at one time.

The car manufacturing industry is the largest manufacturing industry in the United States and its development has a major impact on the growth of the U.S. economy. It is a pillar industry, playing a key role in the stability and development of the U.S. economy. Besides producing all kinds of automobile products, the industry injects vitality and provides support to all areas of the economy by increasing employment, stabilizing tax revenues, expanding domestic consumption and increasing exports, and its importance to the economic power and economic superpower must not be overlooked. In addition, as the car parts suppliers are an important component of the U.S. manufacturing industry, the decline in car production was also detrimental for the U.S. car parts suppliers. Therefore, the U.S. government also offered a large amount of subsidies to the relevant domestic car parts suppliers.

Through all kinds of subsidy policies, the U.S. government provided a large amount of subsidies to the automobile industry that was crumbling under the impact of the financial crisis. These huge subsidies severely violated the relevant provisions of the WTO and distorted the normal market competition. Benefiting from huge subsidies from the U.S. government, the automobile industry exported large number of low-priced cars to the Chinese market, which severely damaged the interests of Chinese domestic car manufacturing enterprises.

(IV) The Channel and Difficulty in Obtaining Information by the Applicant

The applicant conducted an extensive investigation and research in order to prove that the U.S. federal and governments had provided subsidies to the U.S. automobile industry. The investigation materials came from a few sources: annual reports of car manufacturing enterprises, market and industry research reports, news sources and the reports of relevant agencies. However, most of the current information is not appropriate for differentiating and quantifying the subsidy amount which U.S car manufacturing enterprises was receiving from every car manufactured. In addition, the U.S. government has a history of providing subsidies to the automobile industry which come in various forms, such as tax benefits, research grants, low-interest loans, and the Buy American Act. The governments at all levels, from the federal to the state and local government, provided all kinds of subsidies to the automobile industry. It is challenging for the applicant to provide an exhaustive list of car subsidy measures. Therefore, the anti-subsidy investigation of the U.S. product must not be delayed.

Summarizing the above, the applicant had investigated and proved that the U.S. federal and state governments are providing a large number of subsidies where anti-subsidy measures can be applied. The applicant would like to request the investigating authority to investigate every subsidy measure and other subsidy measures discovered during the process of investigation. At the same time, the applicant is seeking approval to submit further documents on the subsidy measures of the Subject Product.

(V) Subsidy Measures of U.S. Product under Investigation (Article 15 (1) of the *Anti-subsidy Regulations*)

□ Providing Subsidies in the Form of Funding (Article 3 (1) of the *Anti-subsidy Regulations*)

1 Subsidy benefits to the U.S. Automobile Industry due to the *U.S Energy and Water Development Appropriation Act*

In July 2009, the U.S. Congress adopted the U.S Energy and Water Development Appropriation Act. This Act prohibits any funds in the bill from being used to purchase passenger motor vehicles unless they are purchased from General Motors, Ford or Chrysler.² In other words, the funds from this bill can only be used to purchase cars manufactured by General Motors, Ford and Chrysler. It is reported that the Senate and House of Representatives have separately approved their own appropriation plans.³ It is understood that the funding involved in the Appropriation

² Refer to Appendix 8-1, H.R.3183-Energy and Water Development and Related Agencies Appropriations Act, 2010. http://www.opencongress.org/bill/111-h3183/actions_votes

³ Refer to Appendix 8-1, US Congress Approves Energy and Water Appropriation Act <http://www.hytrend.cn/news.h2.asp?%B1%EA%CC%E2=%C3%C0%B9%FA%B9%FA%BB%E1%CD%A8%B9%FD%C4%DC%D4%B4%BA%CD%CB%AE%D7%CA%D4%B4%B2%A6%BF%EE%B7%A8%B0%B8>

Act is huge; in 2008, the bill provided at least US\$ 24.3 billion in special appropriation.⁴

The applicant deemed that the U.S Energy and Water Development Appropriation Act has provided huge subsidies for the U.S. automobile industry, which constitutes subsidy as stipulated in Article 3 of the Anti-subsidy Regulations.

1.1 Financial Assistance

The U.S Energy and Water Development Appropriation Act explicitly prohibits any funds in the bill from being used to purchase passenger motor vehicles unless they are purchased from General Motors, Ford or Chrysler. This forced the state governments and public agencies funded by the federal or state governments to buy domestically produced cars at high prices. The presence of such purchase is mainly due to the stipulations in the bill restricting car purchase to the Big Three in order to receive government funding. This bill totally excludes the use of foreign imported cars in public projects, hence granting the U.S automobile industry a certain level of superiority. This allowed the automobile industry to raise the prices of cars, and the cars used for public projects had to be purchased at high prices. Through this channel, the U.S. government provided huge subsidies to the automobile industry. Restrictive regulations that only allow the purchase of domestically-produced cars is in fact equivalent to the U.S. government providing a type of financial assistance to domestic car manufactures. The U.S Energy and Water Development Appropriation Act constitutes financial assistance as defined in Article 3 (3) of the Anti-subsidy Regulations, stating that “the government of an exporting country/region purchases the goods”.

1.2 Benefits

Benefitting from the provisions of the U.S Energy and Water Development Appropriation Act, the Big Three became the “sole sponsors” of public projects funded by this Act, which definitely lead to a surge in car sales while enabling the Big Three to benefit from the high prices. The subsidies that this bill brings to the U.S. automobile industry are indeed astonishing.

Therefore, the U.S Energy and Water Development Appropriation Act constitutes “providing benefits to the recipients” stipulated in Article 3, Section 2 of the Anti-subsidy Regulations.

1.3 Specificity

The subsidies provided by the U.S Energy and Water Development Appropriation Act

⁴ Refer to Appendix 8-1, US Energy Secretary Urges Congress to Pass the Energy and Water Appropriation Act before Fiscal Year ‘07 <http://content.caixun.com/NE/00/ee/NE00eedj.shtml>

are clearly aimed at the U.S. automobile industry, especially General Motors, Ford and Chrysler, which are considered “subsides received by certain enterprises or industries explicitly stipulated in the laws and regulations of an exporting country/region”. This meets the requirement of “specificity” as stipulated in the Anti-subsidy Regulations

2 Automotive Industry Financing Program

The Troubled Asset Relief Program (TARP) is a federal assistance plan formulated by the U.S. government to help industries that are badly affected by the financial crisis and to restore the stability of the U.S. financial market. The assistance funds in this bill totaled US\$ 700 billion and the scope of assistance is only limited to a few industries such as the banking industry, automobile industry and insurance industry.⁵ For the automobile industry, the US Department of the Treasury released the guidelines for the Automobile Industry Finance Program in December 2008. The aim of this Automotive Industry Financing Program is to protect the U.S. financial system from the systemic risks due to the crippling of the U.S. automobile industry as well as the impact on the actual U.S. economy. The guidelines require all companies receiving assistance to come up with realistic and effective measures to improve its capability of obtaining long-term profits.⁶ According to the statistics, as of 3 June 2009, the US Department of the Treasury has already provided loans totaling up to US\$ 60 billion to General Motors, GMAC LLC, Chrysler Holdings, Chrysler LLC, and Chrysler Financial Services. Please refer to the following chart for the specific loan information of the above-mentioned companies:⁷

Date	Company Name	Loan Amount
29 December 2008	GMAC LLC	US\$ 5 billion
29 December 2008	General Motors	US\$ 884,024,131
2 January 2009	Chrysler Holdings	US\$ 4 billion
16 January 2009	Chrysler Financial Services	US\$ 1.5 billion
22 April 2009	General Motors	US\$ 2 billion
29 April 2009	Chrysler Holdings	US\$ 500 million
29 April 2009	Chrysler Holdings	US\$ 280,130,642
1 May 2009	Chrysler LLC	US\$ 3.043143 billion
20 May 2009	Chrysler LLC	US\$ 756,857,000
20 May 2009	General Motors	US\$ 4 billion

⁵ Refer to Appendix 8-2, U.S. Includes Insurance Firms into the Scope for Financial Assistance <http://www.rmburl.com/rmbgo/200904/20090409221438.html>

⁶ Refer to Appendix 8-2, Guidelines for the Automotive Industry Financing Program.

⁷ Refer to Appendix 8-2, TARP’s Automotive Industry Financing Program Investment to Date. <http://investment-blog.net/tarps-automotive-industry-financing-program-investments-to-date-are/>

21 May 2009	GMAC LLC	US\$ 7.5 billion
27 May 2009	General Motors	US\$ 360,624,198
3 June 2009	General Motors	US\$ 30.1 billion

According to the latest statistics, the total amount of financial assistance provided to the U.S. automobile industry under this program has reached US\$ 81 billion.⁸ The applicant understands that the interest rates of the federal loans provided to the above-mentioned companies by the US Department of the Treasury is very favorable. Using the loans of US\$ 1.5 billion provided to Chrysler Financial Services on 16 January 2009 as an example, the loan agreement concluded by the Finance Department and Chrysler Financial Services revealed a loan repayment term of five years, with the loan interests set at 1.5% (1% in the first year),⁹ which is far lower than the interest rates of other commercial loans at that period. Nevertheless, even with such favorable loan assistance, General Motors and Chrysler are still unable to repay the loan. According to report, the US\$ 23 billion loan provided by the government to the two companies is unlikely to be repaid.¹⁰

The Applicant deemed that the huge amount of low-interest loans that the US Department of the Treasury has provided to the domestic car manufacturers under the Automotive Industry Financing Program constitutes subsidies as stipulated in Article 3 of the Anti-subsidy Regulations of the People’s Republic of China.

2.1 Financial Assistance

To prevent systematic risks from the collapse of the US auto industry to the US financial system and the possible impacts on the real economy in the US, the US Department of the Treasury rolled out the financing plan for the auto industry, which, in the name of the federal government, offers huge low-interest loans to domestic auto enterprises in great difficulties. Statistics show that the loans have amounted to about USD81 billion, while these loans may all face payment default, and in fact this is equivalent to donations to these funded auto enterprises. The US Department of the Treasury’s financing plan for the auto industry belongs to “the government of an exporting country (region) directly funds enterprises in the way of fund appropriation and lending,” which constitutes the financial assistance regulated in Article 3 of the *PRC Anti-subsidy Regulations*.

2.2 Benefits

Due to impacts from the high oil prices, financial crisis and economic recessions, etc.,

Refer to Appendix 8-2, Taxpayers Face Heavy Losses on Auto Bailout.

<http://www.foxnews.com/politics/elections/2009/09/09/taxpayers-face-heavy-losses-auto-bailout/>

⁹ Please see Appendix 8-2, Automotive Industry Financing Program. CHRYSLER LB RECEIVABLES TRUST Secured Term Loan. Summary of Terms.

¹⁰ Please see Appendix 8-2, Taxpayers Face Heavy Losses on Auto Bailout.

<http://www.foxnews.com/politics/elections/2009/09/09/taxpayers-face-heavy-losses-auto-bailout/>

the US auto industry is on the verge of bankruptcy.¹¹¹² For GM and Chrysler, according to their operating and financial status, they were not qualified for borrowings, and were hard to get loans from normal commercial channels. However, to avoid the destructive results on the economy and employment from the bankruptcy of these two auto companies, the US government finally decided to provide a loan of as much as about USD81 billion to the two auto giants. As the two funded auto enterprises only have to pay an interest much lower than commercial loans or even don't have to pay back the loans, the funding will no doubt bring huge subsidy benefits to the two auto producers mentioned above.

To sum up, the petitioner believes that the US government's huge lending of USD81 billion to GM and Chrysler via the auto bailout has evidently constituted "a financial assistance which will benefit the recipients" stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

2.3 Specificity

The auto bailout launched by the US Department of the Treasury in December 2008 was specifically provided for a limited number of US auto producers, and belongs to "the subsidy received by certain enterprises explicitly specified by the government of an exporting country (region)", which constitutes "specificity" stipulated in Article 4 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

3 Funds for Fuel-efficient Vehicles

In August 2009, US President Barack Obama announced a USD2.4 billion subsidy to develop cells for new-fuel cars and parts & components. This is the US government's single largest fund injection into cell development and electric/hybrid vehicle technology, and the 48 projects subsidized are distributed in more than 20 states in the US. Except the governmental subsidies, developers also funded the projects with USD2.4 billion out of their own pockets. The USD2.4 billion governmental subsidy plan breaks down into the following: i) USD1.5 billion in grants to U.S. based manufacturers to produce cells and components and to expand cell recycling capacity; ii) USD500 million in grants to U.S. based manufacturers to produce electric drive components for vehicles; and iii) the remaining USD400 million in grants to purchase vehicles for test demonstrations, to install electric charging infrastructure and to provide education and workforce training¹³.

The developers of Detroit, the auto city of the US, and the University of Detroit will

<http://www.foxnews.com/politics/elections/2009/09/09/taxpayers-face-heavy-losses-auto-bailout/>

¹¹ See Appendix 8-2, Bush Announces Emergency Loans to Bail Out US Auto Industry.

¹³ See Appendix 8-3, Obama Government Grants \$2.4 Billion for Development of Energy-saving Vehicles.

<http://www.caijing.com.cn/2009-08-06/110221097.html>

receive a total subsidy of over USD1 billion, GM will get USD240 million, and Ford will get USD92.7 million, of which USD62.7 million will be specially used in Ford's electric drive plant in Michigan. Chrysler will receive USD70 million for R&D of hybrid pickups and minivans.

The largest single subsidy will go to Johnson Controls, Inc. The world's largest independent provider of auto parts and seats will get a subsidy of about USD300 million for production of nickel-cobalt cells, cell panels for hybrid and electric vehicles, and the company is currently building a cell plant in Michigan with the support of Ford.

A123 Systems Inc. will receive a subsidy of USD249.1 million, only second to Johnson Controls. The subsidy for the company will be mainly used to produce cell panels and assemble cells for electric and hybrid vehicles. Obama announced the aforesaid plan when visiting Ocean Star International. Obama said, "To ease the US reliance on oil, help the jobless be reemployed and renew the world competitiveness of US manufacturing, the US must produce advanced, efficient vehicles for the future."

3.1 Financial Assistance

The allocation of USD2.4 billion to subsidize batteries for new fuel vehicles and parts & components belongs to "the government of an exporting country (region) directly provides funds in the form of grants." The petitioner believes that the program constitutes the financial assistance stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

3.2 Benefits

The benefits of R&D funds to the US auto industry are unarguable. Since the government provides funds needed in R&D, the auto industry can benefit in these researches ranging from final applications to commercial purposes. Ultimately, with R&D subsidies, the auto industry boasts advanced production technologies and levels, improve their product varieties and quality, and enhance competitiveness. The direct funding mentioned above provides very evident huge benefits to auto companies, and constitutes "directly benefiting the recipients," stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

3.3 Specificity

The government's grants are specifically provided for a few auto companies including GM, Ford, Chrysler, etc., in line with the requirements of specificity stipulated in Article 4 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

4 Subsidization Programs to US Electric Cars¹⁴

It is reported that in the past more than 20 years, the US government has offered tens of billions in US dollars to fund auto manufacturers and related manufacturers for R&D of electric vehicle technologies.

In July 1976, the US Congress passed *the Decree for R&D and Sample Trial of Electric and Hybrid Vehicles*, granting USD160 million to fund development of electric vehicles.¹⁵

In 1984, the US Congress passed the *1984 Cooperative Research Act*, which provided opportunities for competitors in the auto industry to cooperate on research and development in a wide range of areas.¹⁶

In 1991, US auto companies GM, Ford and Chrysler agreed to set up the US Advanced Battery Consortium (USABC) to jointly research and develop high-power batteries for new-generation electric vehicles. In October 1001, JSABC and the US Department of Energy signed an agreement, under which they would invest USD226 million in research of high-power batteries for electric vehicles in four years from 1991 to 1995. (Other sources show that the Department of Energy (DOE), the Electric Power Research Institute (EPRI), USA, signed an agreement with the USABC composed of GM, Chrysler and Ford at the end of 1991, under which the parties involved plan to invest USD26.2 billion to develop batteries for electric vehicles in four years.¹⁷)

The Federal Transit Administration (FTA) also formulated the *US Hybrid Electric Bus Development Plan* jointly with the New York State Consortium, New York City Transit Authority, New York Power Authority, New York Electrical Research Association, New York Electric Power Research Institute, and other agencies.

The *US Hybrid Electric Bus Development Plan* mainly includes the following programs:

(1) Partnership for a New Generation of Vehicles (PNGV)

The U.S. Department of Energy (DOE) has been involved in R&D projects of advanced auto technologies and alternative transportation fuels for about 30 years, and especially in 1993 during the Clinton administration, the Federal government and the US Council for Automotive Research launched the Partnership for a New Generation of Vehicles (PNGV), the most famous promotional plan for electric

¹⁴See Appendix 8-4: *Development Strategy for Foreign Electric Vehicles*, <http://www1.cei.gov.cn/auto/doc/QCgwt/200510080831.htm>. Except otherwise specified, data in other parts of this part also come from this article.

¹⁵See Appendix 8-4: *Brief History of Electric Vehicles*, <http://www.bjds.com/newweb/olympic/detail.asp?nid=43>

¹⁶See Appendix 8-4, <http://www.uscar.org/guest/history.php>

¹⁷See Appendix 8-4, Application of NIMH Rechargeable Batteries. <http://www.du8.com/readfree/16/08703/8.html>

vehicles.¹⁸ Under the initiative, the US government provided an annual grant of USD300 million, and the three major auto companies - GM, Ford and DaimlerChrysler – invested USD1 billion a year. The program was under the direct supervision and overall cooperation of US vice president Al Gore, and participating governmental agencies included the Department of Energy, Department of Transportation, International Department, Department of Commerce, US National Aeronautics and Space Administration, and the Environmental Protection Agency (EPA), etc., as well as state and city governments. Other partners included vendors across 30 states, many renowned universities in the US, national research organs, and national labs. The program altogether involved 453 participating units, and its research plan included 758 subjects. Each spring, the US national research council under the National Academy of Sciences is responsible to provide review reports on the program's results. According to the then media reports, in the eyes of US President Clinton, perhaps only the Apollo moon missions can match this program.¹⁹ (Sources mentioned a USD1.5 billion, 8-year effort to create a super-efficient car by 2004.)²⁰ (Another source said that from 1995 to 1999, the US Federal government's funding to this program amounted to USD1.25 billion).²¹

(2) Freedom CAR Initiative

In September 2002, the Bush administration replaced PNGV with the new Freedom CAR initiative, in which CAR stands for Cooperative Automotive Research. In 2003, the Freedom CAR initiative brought in five major energy companies, and its name was also changed accordingly to FreedomCAR and Fuel Partnership.²² The Department of Energy granted USD150 million for this initiative in the 2003 FY budget.²³ The president also demanded a planned investment of USD1.7 billion to this initiative in the subsequent five years (from 2004 to 2008), including USD310 million from the 2005 FY budget and USD360 million from the 2006 FY budget.²⁴ In 2008, the grants to the initiative reached USD438 million.²⁵

(3) Research program on EV battery utilization

In 2002, the US Department of Energy approved a budget of USD15 million for the expense sharing program of “industrial research, development and demonstration of

¹⁸ See Appendix 8-4, Review of the Research Program of the FreedomCAR and Fuel Partnership First Report: http://books.nap.edu/openbook.php?record_id=11406&page=12 last visited on 8 September 2009.

¹⁹ See Appendix 8-4, Feasibility of Technological Path for Mini Electric Vehicles (I). http://stl100.blog.bokee.net/bloggermodule/blog_viewblog.do?id=2140752

²⁰ See Appendix 8-4, IMPCO The Steak and the Sizzle.

²¹ See Appendix 8-4, Results of U.S. Industry Partnership to Develop a New Generation of Vehicles.

<http://ntl.bts.gov/lib/11000/11300/11350/rc0081.pdf>

²² See Appendix 8-4, Review of the Research Program of the FreedomCAR and Fuel Partnership First Report: http://books.nap.edu/openbook.php?record_id=11406&page=13 last visited on 8 September 2009.

²³ See Appendix 8-4, IMPCO The Steak and the Sizzle.

²⁴ See Appendix 8-4, Review of the Research Program of the FreedomCAR and Fuel Partnership First Report: http://books.nap.edu/openbook.php?record_id=11406&page=13 last visited on 8 September 2009.

²⁵ See Appendix 8-4: http://www.uscar.org/commands/files_download.php?files_id=188 last visited 10 September 15, 2009.

battery use in electric vehicles,” including the efficiency and power storage, power supply quality, etc. Six months later after the program was approved, the US Congress formulated related laws and regulations.

(4) USD200 million alternative fuel demonstration program

The US Department of Energy mapped out a USD200 million *Bidding Plan* aimed to provide a USD20 million federal stimulus grant to develop electric vehicle demonstration program, ultra-low-sulfur diesel oil and alternative fuel vehicles, and support infrastructure construction.

(5) Research and development of hydrogen fuel

The US Department of Energy has formulated three hydrogen-related development plans, namely the hydrogen research and development plan, the technical assessment, information publication and training plan for hydrogen development, as well as the research plan for production method for regenerable hydrogen with little environmental impacts. In his speech on January 28, 2003, US President Bush publicly supported the research of Freedom CAR and hydrogen fuel plans, and proposed a USD1.2 billion R&D budget, and what’s more, Bush suggested a total investment of USD1.7 billion to fund the construction of infrastructure for fuel sources for hydrogen cells and the development of advanced vehicle technologies.²⁶

(6) Bus hydrogen fuel demonstration program

In FY 2002-2006, the federal government approved a fuel cell bus demonstration program with a total investment of USD150 million for hydrogen production, storage and use in operating buses.

(7) Eco-school bus demonstration program

The Department of Energy launched a USD300-million pilot program encouraging schools to use pure electric drive vehicles, fuel cell vehicles and ultra-low sulfur diesel oil school buses.

To boost the development of LNG fuel cell school buses and prove the feasibility of LNG fuel cell school buses, the Department of Energy offered USD25 million to cooperate with private fuel cell manufacturers, under which local state governments promised to use at least two LNG fuel cell school buses to assess the results of using LNG as fuel cells. Some 20% of the non-federal grant was used for fuel infrastructure construction, and 50% for the pilot program’s activities.

(8) AVP program

²⁶ See Appendix 8-4

In 1994, authorized by the *Transportation Equity Act for the 21st Century*, the US Department of Transportation set up the Advanced Vehicle Technologies Program (AVP), which is a special research management organ to take charge of proposal, organizing and management of EV/HEV research plans. The AVP is a supplement to the PNGV system and an extension of the government's EV/HEV research plan. According to the known data, the program received a total investment of USD20 million in 1998²⁷; in 1999, the Defense Advanced Research Projects Agency (DARPA) under the US Department of Defense injected USD8 million into this program.²⁸

(9) Fuel cell research, development and demonstration program

The US Congress approved the Department of Energy's 3-year, USD84 million (USD28 million a year) fuel cell program to take up fuel cell research, system development, vision 21-hybrids and innovative concepts. In addition, the US Department of Energy consulted with other federal agencies to launch a fuel cell technology demonstration program, including the application of polymer electrolyte membrane fuel cell technology in business, residential buildings and transportation. This program mainly focuses on application of fuel cell technologies, and improvement of product manufacturing and handling.²⁹

4.1 Financial Assistance

From the texts above we can see that the US government or the Congress, or governmental organs (especially the Department of Energy) funds R&D of electric vehicles in the form of grants, investment, injection of supporting funds, and all the programs involve fund transfer from the government to the auto industry. All these Financial Assurances are unconditional, and don't require enterprises to pay back according to final results of application researches, so they constitute the financial assistance stipulated in Item 1 of Section 3 in Article 3 of the *PRC Anti-subsidy Regulations*, which stipulates "the government of an exporting country (region) directly provides funds in the form of grants, loans, or equity infusion, etc., or potentially directly transfers funds or liabilities in the form of loan guarantees or otherwise." In the eco-school bus demonstration program, local governments promised to use at least two LNG fuel cell school buses, and the behavior constitutes financial assistance stipulated in Item 3 of Section 3 in Article 3 of the *PRC Anti-subsidy Regulations* which stipulates that "the government of an exporting country (region) provides goods or services other than general infrastructure, or purchases goods".

²⁷ See Appendix 8-4: Development in global climate change policy.
http://www.fhwa.dot.gov/environment/glob_c4.pdf

²⁸ See Appendix 8-4: Remarks prepared for Delivery by Deputy Secretary of Transportation Mortimer Downey Before the Natural Gas Vehicle Coalition. <http://www.dot.gov/affairs/1999/100599sp.htm>

²⁹ See Appendix 8-4, Study on Development of Electric Vehicles Abroad.
http://www.autoinfo.gov.cn/autoinfo_cn/qjnyqc/fxbg/webinfo/2005/04/04/1176016261939010.htm

4.2 Benefits

The US government not only launched a series of policies encouraging the development of electric vehicles through legislation, but also funded R&D of electric vehicles through grants, investment and fund injections, making the US auto industry benefit from the government for free and providing a reliable fund source for R&D of US electric vehicles, so the US auto industry has enjoyed relatively rapid development and gained a competitive edge. This has evidently constituted “a financial assistance which will benefit the recipients” stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

4.3 Specificity

Only the auto industry or even certain enterprises in the auto industry can enjoy the aforesaid funding, so these subsidies belong to “the subsidy received by certain enterprises and industries explicitly specified by the government of an exporting country (region)”, or “the subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an export country (region)”. They involve specific industries and enterprises, and constitute “specificity” stipulated in the *PRC Anti-subsidy Regulations*.

5 Subsidies to ATVM

The Advanced Technology Vehicles Manufacturing Loan Program (ATVM) is an incentive program of donations and direct loans authorized under Section 136 of the *Energy Independence and Security Act*, with the aim to support technological upgrading of automobiles and auto parts in the US. The program is administered by the US Department of Energy. Under the program, ATVM will offer loans for the US auto industry and auto part manufacturing industry’s equipment update, expansion or construction of production bases in a bid to produce advanced technology enabled automobiles or auto parts & components and provide loans for integration cost of related projects. The program will provide loans of as much as USD250. According to *FY 2009 Continuing Resolution (CR)* effective on September 30, 2008, about USD7.5 billion will be used to support ATVM. Meanwhile, CR offered the Department of Energy USD10 billion to manage this program.³⁰

In the first phase of this lending program, US President Obama announced on June 23, 2009 that his administration will provide USD8 billion loans to promote the development and innovation of auto technologies. Of the loans provide, USD5.9 billion will go to Ford to fund its upgrade of plants in Michigan, Ohio, Illinois, Kentucky and Missouri. The San Carlos, California headquartered Tesla Motors will receive USD465 million of funds to speed up production of energy-efficient electric vehicle. US President Obama said the funds will be able to create more eco-friendly

³⁰See Appendix 8-5, Department of Energy: ATVM Loan Program. <http://www.atvmloan.energy.gov/>

jobs and improve the industry's competitiveness in the world market. The US Department of Energy said that in the next few months it will continue to invest more funds to advance the program. U.S. Energy Secretary Steven Chu said the Department of Energy is trying to provide more funds to the program.³¹

The petitioner believes that the ATVM program designed for the US auto industry and auto parts & components manufacturers constitutes the subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

5.1 Financial Assistance

The lending program is an important part of the US government's efforts to promote the development of new auto technologies. The program takes the form of donations or direct loans. For instance, US President Obama's announcement of USD8 billion loans to boost the development and innovation of auto industries on June 23, 2009, of which Ford will receive USD5.9 billion and Tesla Motors, USD465 million, obviously constituting "the government of an exporting country (region) directly provides funds in form of loans". The petitioner believes that the aforesaid loans constitute the financial assistance stipulated in the *PRC Anti-subsidy Regulations*.

5.2 Benefits

The current and long-term benefits from this program to the US automobile and parts & components manufacturers are obvious. Ford said it would use the USD5.9 billion loan received from the Department of Energy to upgrade equipment in its Illinois, Kentucky, Michigan, Missouri and Ohio plants in a bid to produce 13 energy-efficient vehicles, including producing 5,000-10,000 electric vehicles annually starting from 2011. California-based Tesla Motors said that it will use most of the USD465 million loan to develop an affordable family car. The company currently produces an electric sports car with a price tag of USD109,000.³²

So far, electric vehicle has been as an expensive niche product, and vehicles from Ford and Tesla Motors are all expensive. With the governmental loans to upgrade production equipment and technologies, Ford and Tesla Motors can obviously significantly enhance their production efficiency, increase productivity and lower costs, thus improving vehicle sales, and the benefits are no doubt evident. The petitioner believes that this constitutes the financial assistance "which benefits the recipients" stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

5.3 Specificity

³¹ See Appendix 8-5, Ford and Nissan Receive \$7.5 Billion Loans from US DOE.
<http://cn.wsj.com/gb/20090624/BUS009081.asp?source=MoreInSec>

³² See Appendix 8-5, Nissan and Ford Receive US Governmental Loans to Develop Electric Vehicles.
<http://chinese.wsj.com/gb/20090624/bus114006.asp?source=channel>

Section 136 of the *Energy Independence and Security Act* explicitly specifies that the loans are aimed to support technological upgrading of automobiles and auto parts & components in the US, and provides enough fund support to the Department of Energy for the implementation of this program, indicating its very obvious orientation to the auto industry. However, the fund program announced by the Obama administration on June 23, 2009 directly targets auto companies such as Ford, Tesla Motors, etc., and belongs to “the subsidy received by certain enterprises and industries explicitly specified by the government of an exporting country (region)”, or “the subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an export country (region)”, constituting “specificity” stipulated in the *PRC Anti-subsidy Regulations*.

6 US Auto Restructuring and Rescue Package

On December 19, 2008, US President Bush announced the *Reorganization of Auto Industry and Liquidation of Automakers* bailout plan. According to the plan, the US government will provide USD17.4 billion emergency loans to save the ailing US auto industry. These loans will come from the USD700 billion financial bailout fund, and USD13.4 billion of the loans will be in place between December 2008 and January 2009, and the other USD4 billion will be in place after the government obtains the second part of fund from the Congress.³³ Of the first USD13.4 billion emergency loans, GM will receive USD9.4 billion and Chrysler will get USD4 billion.³⁴ The auto rescue package demands concessions and it would give the automakers three months to come up with restructuring plans to become viable companies, which is by then they should be able to prove their relatively stable fund flows and abilities to pay back the governmental loans in full. If the companies that received the bailout loans could not meet the requirements before March 31, 2009, they must pay back the governmental loans.

The petitioner believes that the US government’s USD17.4 billion emergency loans to GM and Chrysler constitute the subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

6.1 Financial Assistance

To save the ailing US auto industry, the US government decided to provide a total of USD17.4 billion to the two auto giants GM and Chrysler. These loans will come from the USD700 billion financial bailout fund, and USD13.4 billion of the loans will be in place between December 2008 and January 2009, and the other USD4 billion will be

³³ See Appendix 8-6, Bush announces USD17.4 billion auto bailout.
<http://www.politico.com/news/stories/1208/16740.html>

³⁴ See Appendix 8-6, US government launches USD17.4 billion auto bailout.
http://finance.ce.cn/macro/gdxw/200812/21/t20081221_14028621.shtml

in place after the government obtains the second part of fund from the Congress. Obviously, these loans belong to “the government of an exporting country (region) directly provides funds in form of loans,” which constitutes the financial assistance stipulated in the *PRC Anti-subsidy Regulations*.

6.2 Benefits

These emergency loans totaling USD17.4 billion were no doubt a great Christmas gift to the ailing GM and Chrysler. The emergency loans helped GM and Chrysler temporarily avoid bankruptcy. In fact, prior to getting the loans, the two companies once said that if the government offered no support, they would exhaust all the cash and be unable to continue operations.

The petitioner noticed that US congressman Richard once proposed USD25 billion bridge loans for US automakers and auto parts & component producers, and the loans bear an interest much lower than that of the commercial loans they can obtain from the private credit market.³⁵ In addition, it is learned that GM and Chrysler earlier paid an interest rate of as low as 5.3% for a governmental loan, much lower than the interest rate of commercial loans available during the same period.³⁶ Impacted by the high oil prices, financial crisis, economic recession, etc., the US auto industry was on the verge of bankruptcy. The three US automaker giants GM, Ford and Chrysler said that they needed short-term loans of USD34 billion in order to survive the current difficulties.³⁷ In particular, GM and Chrysler faced bankruptcy reorganization, and it is safe to say that according to their operating and financial conditions at that time, they were unqualified for borrowings and were difficult to obtain loans from normal commercial channels, let alone such huge emergency loans at such a low favorable lending rate. However, to ensure the stability of the entire US economy and avoid disastrous impacts of the auto industry’s collapse on economy and workers, the US government finally decided to provide the USD17.4 billion low-interest emergency loans to these two auto giants.

To sum up, the petitioner believes that the US government providing the huge emergency loans to GM and Chrysler evidently constitutes “a financial assistance which will benefit the recipients” stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

6.3 Specificity

The *Reorganization of Auto Industry and Liquidation of Automakers* bailout plan announced by US President Bush on December 19, 2008 was specifically designed for GM and Chrysler, the two automakers in the US, and belongs to “the subsidy

³⁵ See Appendix 8-6, U.S. Motor Vehicle Industry: Federal Financial Assistance and Restructuring, p9.

³⁶ See Appendix 8-6, Bailout bill is \$4B and counting. <http://www.thestar.com/News/Canada/article/556979>

³⁷ See Appendix 8-6, Bush announces emergency loans to auto industry. <http://auto.sohu.com/20081220/n261321591.shtml>

received by certain enterprises explicitly specified by the government of an exporting country (region)”, which constitutes “specificity” stipulated in Article 4 in Chapter 2 of the *PRC Anti-subsidy Regulations*.

7 Subsidy Program for New-energy Vehicles

The ailing US auto industry is attempting to get out of the crisis through breakthroughs in terms of new-energy vehicles. The US government reiterated its support to the development of the new-energy vehicles industry.

Obama explicitly said that by 2015, there will be one million plug-in hybrid vehicles on the road in the US. To encourage consumption, car owners that purchase plug-in hybrid vehicles can enjoy a tax credit of USD7,500.³⁸

Previously, Obama announced on March 19, 2009 two major programs with a total amount of USD2.4 billion to support the development of next-generation new-energy vehicles. As part of the *American Recovery and Reinvestment Act*, the US will mobilize a USD2 billion federal fund to produce advanced cells for vehicles and other related drive parts & components, and meanwhile the government invested USD400 million to support construction of charging stations and other infrastructure facilities.³⁹

On August 5, 2009, the US government announced that to subsidize R&D of new-type vehicles and cells, it would provide USD2.4 billion federal grants to related industries. Of the grants, USD1.4 billion will be used to produce automotive cells and cell modules, USD500 million to produce electric motors and other units, USD400 million to test electric vehicles, install charging networks and train technicians.⁴⁰ The three major US automakers will receive more than USD400 million of the grants, of which GM will receive USD240 million mainly for R&D and production of electric vehicles and automotive cells, and Ford and Chrysler about USD100 million and USD70 million respectively from the electric vehicle R&D grants. The two companies that will receive the most are both companies that research and develop automotive cells, among which Johnson Controls will get USD299 million and A123Systems about USD249 million.⁴¹

³⁸See Appendix 8-7, Summary: US Auto Industry’s New-energy Vehicle Strategy amid Crisis.
http://news.xinhuanet.com/world/2009-04/27/content_11266440.htm

³⁹See Appendix 8-7, Recovery Act Announcement: President Obama Announces \$2.4 Billion for Electric Vehicles.
http://apps1.eere.energy.gov/news/progress_alerts.cfm/pa_id=152

⁴⁰ See Appendix 8-7, \$2.4 Billion Subsidy for US New-energy Vehicles, the World’s Largest.

<http://www.win-motor.com/%E5%BE%AE%E7%94%B5%E6%9C%BA/channel/1629790/1629791/0/19287569/3/7472583/773843352B6A493030747244774E5371313872572B744443784E7A55744D6237733755677637437A78736972782F4C583772547A/0>

⁴¹See Appendix 8-7, \$2.4 Billion Subsidy for US New-energy Vehicles, the World’s Largest.

<http://www.win-motor.com/%E5%BE%AE%E7%94%B5%E6%9C%BA/channel/1629790/1629791/0/19287569/3/7472583/773843352B6A493030747244774E5371313872572B744443784E7A55744D6237733755677637437A78736972782F4C583772547A/0>

The subsidization policy for new-energy vehicles in the US has a long history. As early as in the 1990s when promoting hybrid vehicles, the US government promised to cut USD2,000 income tax, and meanwhile gave the purchasers a subsidy of USD4,000.⁴²In October 2008, US President Bush signed the *Emergency Economic Stabilization Act of 2008*, in which the chapter on transportation and domestic fuel security stipulates tax incentives for plug-in hybrid vehicles. According to the capacity of fuel cells and the vehicle weight, the tax incentive ranges from USD2,500 to USD15,000.⁴³

The petitioner believes that the US government's new-energy funding program for its domestic auto industry and auto parts & components producers constitutes the subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

7.1 Financial Assistance

Developing new-energy vehicles is regarded as an important industrial policy by the US government. The US government is providing huge funds to the US auto and auto parts & components industry in various forms. For instance, the Obama administration announced on March 19, 2009 and August 5, 2008 two governmental grants totaling USD4.8 billion to fund R&D and production of new-energy automotive cells and other related modules, which constitutes "the government of an exporting country (region) directly provides funds in form of grants". The federal government's tax incentives for purchasers of new-energy vehicles belong to "the government of an exporting country (region) forgoes or does not collect revenue that is otherwise due". Through the aforesaid different forms of subsidy, the US government provides huge funds for its domestic new-energy vehicles industry, and the petitioner believes that the aforesaid different forms of subsidy all constitute financial assistance stipulated in the *PRC Anti-subsidy Regulations*.

7.2 Benefits

The various subsidization programs for new-energy vehicles obviously benefit US automakers and auto parts & components producers, and they will greatly boost the development of the US auto industry and automotive cell industry.

For instance, of the USD2.4 billion federal grants announced by the US government on August 5, 2009, the three major US automakers will receive more than USD400 million, of which GM will receive USD240 million mainly for use in R&D and production of electric vehicles and automotive cells, and Ford and Chrysler, about

⁴²See Appendix 8-7, How Should China's New-energy Vehicles Start?
<http://www.ca800.com/news/html/2009-2-23/n98246.html>

⁴³See Appendix 8-7, China Kicks off New-energy Vehicle Promotion Plan.
http://www.csrev.net.cn/newEbiz1/EbizPortalFG/portal/html/InfoContent.html?InfoPublish_InfoID=c373e91f6e2382048fead85791df5b74

USD100 million and USD70 million respectively from the electric vehicle R&D grants. The two companies that received the most are both companies that research and develop automotive cells, among which Johnson Controls will get USD299 million and A123Systems about USD249 million. The US government's huge grants will greatly boost the development of the US auto industry and automotive cell industry. The governmental funding for the development of core technologies about new-energies is aimed to quickly solve technological difficulties and improve the overall level of the auto industry. The US new-energy vehicle industry can benefit from the researches from final applications to commercial use, and don't have to pay a penny. Offering tax incentives for purchasers of new-energy vehicles will no doubt significantly increase sales volume of new-energy vehicles, thus benefiting producers of new-energy vehicles and related parts & components. Similarly, the federal government's purchase of 17,600 vehicles at a premium also benefits the three US automaker giants obviously. Offering tax incentives for purchasers of new-energy vehicles will no doubt significantly increase sales volume of new-energy vehicles. All this evidently constitutes "a financial assistance which will benefit the recipients" stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

7.3 Specificity

Developing new-energy vehicles is regarded by the US government as one of its important industrial policies to revitalize and develop the US auto industry. The aforesaid subsidies provided by the US government to its domestic new-energy vehicle industry are all specifically designed for its domestic new-energy vehicle industry, and belong to "the subsidy received by certain enterprises and industries explicitly specified by the government of an exporting country (region)", or "the subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an exporting country (region)", constituting "specificity" stipulated in the *PRC Anti-subsidy Regulations*.

8 US Department of Energy's Other Subsidies for Auto Industry

Automakers in Detroit also invested in Johnson Controls Inc. to develop the light-weighted cheaper hybrid cells and planned to apply the cells in vehicles before 2010. The automakers and the US Department of Energy signed a USD125 million agreement to share the costs of developing the hybrid development programs.⁴⁴

On January 23, 2007, the US Department of Energy announced USD17 million to improve efficiency of vehicles and reduce the US reliance on foreign oils. Of the amount, USD14 million was used to support the plug-in hybrid electric vehicle technology, and another USD3 million to improve efficiency of E-85 engines.⁴⁵

⁴⁴ See Appendix 8-8, US automakers join battery project. http://www.boston.com/cars/news/articles/2006/12/24/us_automakers_join_battery_project/ last visited on 8 September 2009.

⁴⁵ See Appendix 8-8, DOE Announces \$17 Million to Promote Greater Auto Efficiency WASHINGTON, DC.

On August 9, 2007, the US Department of Energy awarded Ford two grants totaling up to USD4.5 million, and in 11 R&D projects designed to improve light-weighted automotive engines' fuel efficiency, the US Department of Energy's grants reached USD21.5 million.⁴⁶

On September 25, 2007, the US Department of Energy announced to invest USD20 million for research of plug-in hybrid vehicles.⁴⁷

According to a report on June 20, 2008, Chrysler will team up with the US Department of Energy on a USD30 million program to develop plug-in hybrid technology.⁴⁸

On December 3, 2008, USABC in collaboration with the US Department of Energy announced the award of a USD2.3 million battery separator technology development contract to Celgard, LLC.⁴⁹

The US Department of Energy also granted USD10 million to Ford to support its development of PHEVs.⁵⁰

In April 2009, KD Advanced Battery Group LLC won nearly USD145 million in state tax incentives in Michigan to build its lithium-polymer battery production plant, while the Michigan state government's entire tax incentive policy was worth a collective USD1.7 billion. The former head of Dow Chemical's automotive unit said the company had applied to the federal government for a piece of USD2 billion in grant funding.⁵¹

The petitioner believes that this program constitutes subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

8.1 Financial Assistance

http://www.uscar.org/guest/article_view.php?articles_id=58 last visited on 8 September 2009.

⁴⁶ See Appendix 8-8, DOE AWARDS FORD TWO GRANTS FOR VEHICLE FUEL EFFICIENCY RESEARCH.

http://media.ford.com/article_display.cfm?article_id=26533&make_id=trust last visited on 8 September 2009.

⁴⁷ See Appendix 8-8, DOE to Provide Nearly \$20 Million to Further Development of Advanced Batteries for Plug-in Hybrid Electric Vehicles. <http://www.energy.gov/news/5523.htm> last visited on 8 September 2009.

⁴⁸ See Appendix 8-8, U.S. AUTOMAKERS WELCOME UTILITY PARTNERS TO FREEDOMCAR AND FUEL PARTNERSHIP.: http://www.uscar.org/guest/article_view.php?articles_id=221 last visited on 10 September 2009.

⁴⁹ See Appendix 8-8, USABC AWARDS \$2.3 MILLION BATTERY TECHNOLOGY DEVELOPMENT CONTRACT TO CELGARD LLC. http://www.uscar.org/guest/article_view.php?articles_id=252 last visited on 10 September 2009.

⁵⁰ See Appendix 8-8, Ford Planning New Electric, Hybrid and Plug-in Vehicles in Next 4 Years; Partners Help Speed Vehicles to Market. http://www.uscar.org/guest/article_view.php?articles_id=268 last visited on 10 September 2009.

⁵¹ See Appendix 8-8, Dow Chemical VP: Construction could begin on \$665 million battery plant in Midland later this year.

http://www.mlive.com/businessreview/oakland/index.ssf/2009/06/dow_chemical_vp_construction_c.html last visited on 8 September 2009.

From the aforesaid cases we can see that the US Department of Energy's funding of the US auto industry's various R&D programs in form of fund injections and grants constitutes the financial assistance that "the government of an exporting country (region) directly provides funds in form of grants, loans, or equity infusion, etc., or potentially directly transfers funds or liabilities in form of loan guarantees or otherwise" stipulated in Item 1 of Section 3 in Article 3 of the *PRC Anti-subsidy Regulations*.

8.2 Benefits

The US Department of Energy, on the behalf of the US government, provided a lot of funds for the auto industry's various R&D programs, improved efficiency of vehicles and enhanced their competitiveness, which evidently constitutes a financial assistance "which will benefit the recipients" stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

8.3 Specificity

Only companies in the auto industry, especially large companies in the auto industry, as well as related researches of auto parts & components can enjoy the aforesaid grants, so these subsidies belong to "the subsidy received by certain enterprises and industries explicitly specified by the government of an exporting country (region)", or "the subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an exporting country (region)", which are industry and enterprise-specific, and constitutes "specificity" stipulated in the *PRC Anti-subsidy Regulations*.

9 Auto Supplier Support Program

Consistent with President Obama's commitment to stand behind the American auto industry during the economic crisis, on March 19, 2009 when the President's Auto Task Force was still reviewing GM and Chrysler's reorganization plans, the Treasury Department launched the Auto Supplier Support Program. The program will grant as much as USD5 billion to auto suppliers, providing suppliers with the confidence they need to continue shipping their parts and the support they need to help access loans to pay their employees and continue their operations. This program will provide support for the US auto part industry that employs more than 500,000 workers.⁵²

The brief description of the Auto Supplier Support Program is as follows:⁵³

The program will provide suppliers with access to government-backed protection that

⁵² See Appendix 8-9, US Treasury Department Announces Auto Supplier Support Program. <http://www.wjw.cn/content/wjzx/2009/3/24/109136.shtml>

⁵³ See Appendix 8-9, Auto Supplier Support Program: Stabilizing the Auto Industry at a Time of Crisis. : http://www.treas.gov/press/releases/docs/supplier_support_program_3_18.pdf

money owed to them for the products they ship will be paid no matter what happens to the recipient car company.

Participating suppliers will also be able to sell their receivables into the program at a modest discount. This will provide suppliers with desperately needed funding to operate their businesses and help unlock credit more broadly in the supplier industry.

The program will be run through American auto companies that agree to participate in the program. Suppliers to those companies that agree to maintain qualifying commercial terms will have the opportunity to request this government backed protection. If granted, the supplier will pay a small fee for the right to participate in the program.

The Treasury Department has made available up to USD5 billion in financing under this program.

The petitioner believes that this program constitutes the subsidies stipulated in Article 3 of the s.

9.1 Financial Assistance

Under the program, the US government promises that the program will provide suppliers with access to government-backed protection that money owed to them for the products they ship will be paid no matter what happens to the recipient car company. Moreover, it promises participating suppliers will also be able to sell their receivables into the program at a modest discount. This constitutes “the government of an exporting country (region) directly provides funds in form of grants, loans, or equity infusion, etc., or potentially directly transfers funds or liabilities in form of loan guarantees or otherwise” stipulated in Section 3 in Article 3 of the PRC Anti-subsidy Regulations. Therefore, the petitioner believes that the aforesaid USD5 billion support program constitutes the financial assistance stipulated in the PRC Anti-subsidy Regulations.

9.2 Benefits

The program will grant as much as USD5 billion to auto suppliers, providing suppliers with the confidence they need to continue shipping their parts and the support they need to help access loans to pay their employees and continue their operations. However, if granted, the suppliers will only have to pay a small fee for the right to participate in the program. The program provides financial protection for auto suppliers concerning payments in arrearage from domestic auto companies, and helps their financing, thus stabilizing auto suppliers and the auto industry. As Treasury Secretary Timothy F. Geithner put it, “The Auto Supplier Support Program will help stabilize key departments of the US auto industry. It plans to provide emergency

liquidities to auto suppliers, which helps them pay workers' wages and other spending and ensures the domestic auto enterprises to have a reliable supply of auto parts & components." Obviously, this program satisfies the requirements of a financial assistance "which benefits the recipients" stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

9.3 Specificity

The program will be run through American auto companies that agree to participate in the program. Suppliers to those companies that agree to maintain qualifying commercial terms will have the opportunity to request this government backed protection. This shows that this program only targets the auto industry, and does not involve other industries, and belongs to "the subsidy received by certain enterprises and industries explicitly specified by the government of an exporting country (region)", or "the subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an exporting country (region)". It is industry-specific, and constitutes "specificity" stipulated in the *PRC Anti-subsidy Regulations*.

10 Subsidy Benefits from US Auto Industry from Pension Guaranty Program

In accordance with *Employee Retirement Income Security Act of 1974* and its amendments⁵⁴, the US government assumes the insurance liabilities of as high as USD100 million for American companies, especially steel companies, via the "the Pension Benefit Guaranty Corporation." The Pension Benefit Guaranty Corporation holds retirement insurance for 150 steel companies. According to a report from State Boards of Accountancy in 1998⁵⁵, bankruptcies of companies in the steel industry accounted for the majority, and due to this, the US government paid out USD140 million, with the subsidies totaling up to USD200 million. The Pension Guaranty Program helps US steel companies save a lot of employee cost, and these subsidy benefits are extended to the US auto industry in the form of providing steel at lower prices. The petitioner believes that the benefits of pension guaranty subsidy extended to the US auto industry constitute the subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

10.1 Financial Assistance

The huge subsidy benefits extended to the US auto industry are an inevitable result of the federal government's constant huge grants to its steel industry. All the pension payouts from the federal government are either to help steel enterprises assume their necessary economic costs and legal liabilities or undertake a lot of liabilities and

⁵⁴ 1974 Employee Retirement Income Security Act of 1974, as amended, See Appendix 8-10, Report on U.S. Government Subsidies to the U.S. Steel Industry, The American Institute for International Steel, 1999.

⁵⁵ Appendix 8-10, Report on U.S. Government Subsidies to the U.S. Steel Industry, The American Institute for International Steel, 1999.

expenses when the steel companies go bankrupt. These are all financial assistances from the government, and constitute the financial assistance stated in Section 1 in Article 3 of the *PRC Anti-subsidy Regulations*, that is “the government of an exporting country (region) directly provides funds in form of grants, loans, or equity infusion, etc.” The US government’s huge pension guaranty benefits to its steel industry are extended to the US auto industry, and they are equivalent to a huge financial assistance to the US auto industry.

10.2 Benefits

In the past five years, the Pension Guaranty Corporation undertook a total of USD7.883 billion liabilities from the US steel industry⁵⁶. The benefits from these subsidies should be included in the US steel industry’s sales results. The pension guaranty benefits extended to the US auto industry grew rapidly along with the federal government’s subsidies to its steel industry. We have reasons to believe that this will inevitably make the subsidized steel sell at a lower price than steel not subsidized, and as a result US auto producers benefit a lot from much reduced production costs and the federal government’s pension guaranty subsidy benefits are extended to the auto industry. Therefore, the pension guaranty subsidies extended to the auto industry constitute the financial assistance “which benefits the recipients” stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

10.3 Specificity

Steel is an important resource material for the auto industry, and as a result of the federal government’s huge subsidies to its steel industry, the subsidized steel producers can provide relatively cheaper automotive steel for automakers in the downstream, thus benefiting the domestic auto industry and fulfilling the goal of funding its domestic auto industry. The pension guaranty subsidies extended to the US auto industry constitutes “specificity” stipulated in Article 4 in Chapter 2 of the *PRC Anti-subsidy Regulations*.

11 Subsidy Benefits from *Prescription Drug, Improvement, and Modernization Act*

On December 8, 2003, US president signed the *Prescription Drug, Improvement, and Modernization Act* (hereinafter referred to as “the Medicare Act”). The Act awards federal subsidies to enterprises sponsoring Medicaid for those retirees qualified for prescription drug allowances.⁵⁷ Ford believes that the retirement drug benefits it provides exceed the benefit value available from Part D in the Medicare Act and its paid retirement expenses and costs are less than the stipulated amount in Part D of the Medicare Act, so its plan is at least “virtually equal” to the plan in Part D of the

⁵⁶ See Appendix 8-10, Pay the Price for the Big Steel, The American Institute for International Steel, 2000.

⁵⁷ See Appendix 8-11, MEDICARE PRESCRIPTION DRUG,IMPROVEMENT, AND MODERNIZATION ACT OF 2003, <http://ustreas.gov/offices/public-affairs/hsa/pdf/pl108-173.pdf>

Medicare Act, so it is qualified for this subsidy. Ford 2004 Annual Report shows that as of December 31, 2003, the company reduced its welfare liabilities by USD1.8 billion thanks to the Act.⁵⁸ According to Ford Annual Report, due to the Act, the company estimated it would receive USD80,000,000 subsidy in 2006; and USD90,000,000 in 2007.⁵⁹ Meanwhile, Ford said that these subsidies have helped significantly reduce its expenditure, by USD270,000,000; USD290,000,000 and USD250,000,000 respectively in 2006, 2005 and 2004.⁶⁰

The petitioner believes that the benefits that Ford has received from the federal government in accordance with *Prescription Drug, Improvement, and Modernization Act* constitute subsidies stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

11.1 Financial Assistance

Ford's estimable USD80,000,000 subsidies in 2006 and available USD90,000,000 in 2007 belong to "the government of an exporting country (region) directly provides funds in form of grants"; and the reduced USD270,000,000; USD290,000,000 and USD250,000,000 recorded for 2006, 2005 and 2004 belong to "the government of an exporting country (region) directly provides funds". Through the subsidies in the aforesaid form, Ford can benefit from the government with a payout (e.g. medical expenditure of retirees) lower than that under normal conditions. Financial assistance involves direct transfer of funds, and direct transfer of potential funds or liabilities does not require the government to actually do it, so the petitioner believes that the subsidies from the Medicare Act constitute the financial assistance stipulated in the *PRC Anti-subsidy Regulations*. Ford's reduced expenditure was benefits from the subsidies, and according to Ford Annual Report, the grants or loans from the domestic government are usually recorded in the financial statement as reduced expenditure or reduced fund investment expenses,⁶¹ which can be absolutely regarded as part of governmental funding, so the reduction of this expenditure item also constitutes the financial assistance stipulated in Article 3 of the *PRC Anti-subsidy Regulations*.

11.2 Benefits

The benefits from this subsidy to Ford are very obvious. Through participating in the program under the Medicare Act, Ford received the value unavailable in the market, that is the government's subsidies to medical expenses directly led to its "revenue growth" (subsidies from the government), while the saved expenditure through the Medicare Act also brings certain benefits to Ford. Therefore, Ford's estimable USD80,000,000 subsidies in 2006 and available USD90,000,000 in 2007 from Prescription Drug, Improvement, and Modernization Act as well as its reduced USD270,000,000; USD290,000,000 and USD250,000,000 recorded for 2006, 2005

⁵⁸ See Appendix 8-11, Ford 2004 Annual Report, P84.

⁵⁹ See Appendix 8-11, Ford 2004 Annual Report, P86.

⁶⁰ See Appendix 8-11, Ford 2005 Annual Report, P89.

⁶¹ See Appendix 8-11, Ford 2007 Annual Report, P63.

and 2004 respectively are obvious benefits, and they constitute the financial assistance “which benefits the recipients” stipulated in Article 3 of Chapter 2 in the *PRC Anti-subsidy Regulations*.

11.3 Specificity

In accordance with Article 4 of the *PRC Anti-subsidy Regulations*, subsidies must have specificity, otherwise they don't constitute subsidies. The subsidies under the Medicare Act seem to target almost all enterprises, but only a very few enterprises are qualified for the subsidies under the Act. For instance, GM 2006 Annual Report shows that it was not qualified for the subsidies because it failed to meet the requirements of the Act. ⁶²Therefore, this program actually is specific. 12

Export-Import Bank of the United States' Export Credit Project Subsidiary to U.S. Auto Industry

According to the *Export-Import Bank Act of 1945*, U.S Export-Import Bank is authorized to provide credit, guarantee and insurance services (including business risks and political risks) to 55 countries to support their export of both commodities and services. The rate and term of financial aids correspond approximately to those of governmental aids provided by other countries competing with U.S. Any project of Export-Import Bank completely abides by *A Practical Guide to OECE Export Credit*, and *Agreement of Subsidy and Anti-subsidy Measures*. U.S Export-Import Bank corresponds to the periodic updates of U.S. Laws. At the end of September 2006, U.S Export-Import Bank was authorized again by U.S Council.

Revolutionary reforms are done to the budgeted pay of direct credit, loan guarantee and insurance in *1990 U.S Federal Credit Reform Act*. According to the Credit Reform went effective in 1992, the basis of accounting of the credit provided or guaranteed by the government is changed from cash inflow and cash outflow of treasury for a credit program to the estimated net fiscal cost of credit, guarantee and insurance. According to credit reform, annual appropriation is required annually to establish a loan-loss reserve in order to compensate for any predictable financial loss.

Under the accounting procedures claimed in credit reform, discount is available in certain rate to the balance between the amount committed of the cost and the price of the predicted cash flow of Export-Import Bank. This include the cash flow stipulated in the contract of Export-Import Bank in favor of financing and the “predicted” balance of contract articles (including inappropriate behavior, no-enforcement, rebated acceptance and other factors), counting independently trade on trade.

Speaking of direct load, cash outflows include loan expense although cash inflows include exposure fees and the return of the predicted non-enforced principal and

⁶² See Appendix 8-11, GM 2006 Annual Report.

interest. As to credit, guarantee and insurance, cash outflows include expense for paying back the non-enforced claim and interest increase, while case inflows include expense and recovered funds. Expected cost is usually calculated according to the model designed by the U.S. Office of Management and Budget.

Following please find the budget value authorized by U.S. government concerning direct loan, loan guarantee and insurance items in Export-Import Bank during the fiscal years from 2001 to 2004. As US credit reform is a unique method of calculation, data listed in the following form cannot be compared with the short-term cash flow data provided by other governmental export credit agencies.

**Direct Loan Budget Authority
(Unit: Million USD)**

Fiscal Year	Direst Loan	Budget Authority	%
2001	871.2	93.8	10.8%
2002	295.6	48.6	16.4%
2003	58.3	0.9	1.5%
2004	227.1	21.5	9.5%

**Loan Guarantee and Insurance Budget Authority
(Unit: Million USD)**

Fiscal Year	Guarantee and Insurance Amount	Budget Authority	%
2001	9,370.3	729.7	7.8%
2002	9,823.6	677.9	6.9%
2003	10,448.9	329.3	3.2%
2004	13,093.9	248.4	1.9%

As a kind of hi-tech and high additional value product, auto mobile is an important product of U.S. for export. We are confident that the automobile manufacturers can receive large amount of subsidy from Export-Import Bank of the United States' Export Credit Project. Export-Import Bank of the United States' Export Credit Project structures the subsidy prescribed in Article 3 of *PRC Anti-subsidy Regulations*.

12.1 Financial Assistance

Export-Import Bank of the United States is a policy bank under the direct control and management of U.S. government. Through the Export-Import Bank of the United States' Export Credit Project, US government provides large amount of low interest export loan to its automobile export forms, which is apparently the Financial

Assistance stipulated in *Anti-subsidy Regulations*, that is “the government of an exporting country (region) directly provides funds in form of grants, loans, or equity infusion, etc., or potentially directly transfers funds or liabilities in form of loan guarantees or otherwise”, and “the government of an exporting country (region) provides goods or services other than general infrastructure”.

12.2 Benefits

Export-Import Bank of the United States’ Export Credit Project provides large amount of loan support to US automobile export forms. The interest of export-import loans provided by Export-Import Bank of the United States is much lower than the interest of business loan of the corresponding period. Export-Import Bank of the United States provided more than five years (including 5 years) of direct loan to US steel forms for export, the most favorable rate being 2.76%,⁶³ while the business rate of comparable banks (such as the business loan interest rate of City Bank in 2008) is 11.88%.⁶⁴This interest different brings big benefit to US automobile industry, and structures the stipulation of article 3 of the second draft of *Anti-subsidy Regulations*, “which will benefit the recipients”. The applicant has calculated and found that the subsidy under this subsidy item is not de minimis.

12.3 Specificity

Export-Import Bank of the United States’ Export Credit Project belongs to export subsidy, which structures the stipulation of Article 4 in the Chapter 2 of *Anti-subsidy Regulations* as “must be specific”.

□ **Where the subsidy is granted in form of purchase of goods Item 3 of Article 3 in the *Anti-subsidy Regulations***

13 Subsidy Benefit to US Automobile Industry from Government Procurement Vehicles Project of New Energy Autos

US president Obama declared in April 9, 2009 that US government will procure 17.6 thousand domestic new energy saving vehicles before 01.06.09 in order to incite domestic need to US autos.⁶⁵Obama declares that General Services Administration will use about 0.285 billion USD out of the 787 billion USD economic Stimulus Plan by procuring above said vehicles from the three top auto manufacturers of General Moto, Ford and Chrysler.⁶⁶Obama announced in one statement, “As a promise made

⁶³Refer to Appendix VIII-12, Exim Bank Direct Loans Minimum Interest Rates.
http://www.exim.gov/tools/cirr_rates.cfm

⁶⁴Refer to Appendix VIII-12, Business Loans Interest Rates of Citibank Valid for October 2008.
<http://www.citigroup.com/greece/consumer/en/news/releases/2008/17.htm>

⁶⁵Refer to appendix VIII-13, US government will procure 17.6 thousand domestic new energy saving vehicles.
Xinhuanet.

<http://www.022net.com/2009/4-10/444536202575868.html>

⁶⁶ Refer to appendix VIII-13, US government will procure 17.6 thousand domestic new energy saving vehicles.

to American Automobile Industry, I have asked the government to use the capital allocated to economic Recovery Act to procure a batch of new type energy saving vehicles for the government, thus to increase the need of US domestic vehicles and stimulus economy.”⁶⁷

Obama also said that taking above measures is only the first step. US government will take further measures in domestic automobile industry, and help them get through the difficult period of reorganization.⁶⁸ It is said that there will be 2500 hybrid electric vehicles in the governmental using vehicles. This is the first time for US government to buy so many hybrid electric vehicles at one time. According to Obama, 1.3 million gallons of gasoline can be saved annually, and 26 million pounds of carbon dioxide emissions will be reduced a year if the old vehicles are replaced with new type energy saving vehicles.⁶⁹

The applicant thinks that the government procuring project of new energy automobile will make a great contribution to US automobile industry, which has structured the contribution under Article 3 of *PRC Anti-subsidy Regulations*.

13.1. Financial Assistance

Automobile industry is one of the most important pillar industries in America, with a huge number of employees. Less efficient, poor management, and high cost have long since hovering American automobile and keep it down. Under the impact of the economic crisis, American automobile industry is between the beetle and the block. All three top forms are driven to corner. President Obama once declared in public, “I may not, can not, and will not let our automobile industry perish... It is a pillar of our economy, it is where millions of dreams dwelt.”⁷⁰ Just like what Obama had said, above measures is only the first step. US government will take further measures in domestic automobile industry, and help them get through the difficult period of reorganization. Not to mention the competitive power of American new energy vehicles, just from the fact that the government spent such a huge capital and appointed the three top automobiles of General Moto, Ford and Chrysler for its new energy automobiles procurement, we can see that the American government is determined, and really working hard to help US automobile industry and new energy automobile project to walk out of their embarrass.

China Economy Net—National Economy Door.

http://intl.ce.cn/sjji/gat/200904/10/t20090410_18764641.shtml

⁶⁷ Refer to appendix VIII-13, US government will procure 17.6 thousand domestic new energy saving vehicles. Xinhuanet.

http://news.xinhuanet.com/fortune/2009-04/10/content_11162495.htm

⁶⁸ Refer to appendix VIII-13, US government will procure 17.6 thousand domestic new energy saving vehicles. Xinhuanet.

http://news.xinhuanet.com/fortune/2009-04/10/content_11162495.htm

⁶⁹ Refer to appendix VIII-13, US government will procure 17.6 thousand domestic new energy saving vehicles. Xinhuanet.

http://news.xinhuanet.com/fortune/2009-04/10/content_11162495.htm

⁷⁰ Refer to appendix VIII-13, Obama Strike-Hard Drive to Help Reform US Automobile Industry

Under Government Procurement Vehicles Project of New Energy Autos, the General Services Administration will use about 0.285 billion USD in USD 787 billion economic Stimulus Plan by procuring above said vehicles from the three top auto manufacturers of General Moto, Ford and Chrysler. In this way, new energy vehicles exported from abroad are forbidden in government procurement project, US automobile industry is put in an advantageous position, which further expanded the sales of American automobile industry. US automobile industry receives a big subsidy from the government. Obviously, without this Act, American government will not be forced to spend such a huge amount in US automobile forms, but will act as a rational consumer, who will buy the new energy automobiles according to market price. The purchase premium will increase the sales of new energy vehicle, and is actually a Financial Assistance offered to US automobile manufacturers by US government. The government procuring project of new energy automobile is structuring the third item of the definition of Financial Assistance under in Article 3 of *Anti-subsidy Regulations*, i.e., “purchase premium goods by an exporting country (region).”

13.2 Benefits

The favors brought forward to US automobile industry (mainly including General Moto, Ford and Chrysler) by government procurement project of new energy automobiles is obvious. First of all, the top three US automobile manufacturers acquired big orders from government procurement project of new energy automobiles, which incited the growth and increased the sales of new energy automobiles. Meanwhile, the top three US automobile manufacturers benefited from the purchase premium of government procurement project of new energy automobiles. Subsidy of this project to US automobile industry is huge.

Thus the government procurement project of new energy automobiles structures the definition of “which will benefit the recipients” as stated in Article 3, Chapter II of *Anti-subsidy Regulations*.

13.3 Specificity

Subsidy benefit offered in the government procurement project of new energy automobiles definitely pointed as the top three automobile manufacturers of General Moto, Ford and Chrysler. It belongs to “the subsidy received by certain enterprises or industries explicitly specified by the government of an exporting country (region)” and satisfies the specificity standard stipulated in *Anti-subsidy Regulations*.

14 Subsidy Benefit to US automobile industry from Buy America Act

In recent years, the US government passed the Buy America Act, according to which, US steel industry forms are given subsidies from main federal capital project, and received huge long-term benefit—especially the present projects of highway

construction, public transportation, waterway and airport. Only by the expense of highway construction, conservatively estimated, an inflation of 50 million USD steel consumption are achieved by pointed government procurement according to Buy American Act. Subsidies from other government procurement projects, such as airport, public transportation, waterway project, etc the top steel manufacturers received according to Buy American Act, which can push annual subsidy amount to 0.15 billion USD, are not included.⁷¹

Although Buy American Act was issued in 1933, it was applied in public projects invested by federal government in 1978 for the first time. “Buy American Act” became a special subsidy project specially designed for steel industry. Ever since then, although opposed for several times by trade partners of America, Buy American Act is evolved into a lasting welfare project for US steel corporations.

Besides, since the broke out of economic crisis aroused by the United States Sub-loan Crisis, US government adopted a series of measures to stimulus the economic development. Such as in 2009, the US council passed a 787 billion USD bill for stimulating economic growth, including the articles of Buy American Act, according to which, steel and finished products used in support plan project should use America produced products.⁷²

Vehicle consumes a lot of steels. In recent years, the booming development drove the quick development of steel industry. In automobile production, steel consumption covers 60%~70% the material for production.⁷³ As to material, automobile industry requires more types and specification, better quality and larger quantity. According to the statistics, there requires more than 4000 types and specifications. Only for steel, there are over 500 types and specifications, covering 70% of the total, with stricter quality requirement.⁷⁴ Vehicle industry is the main of transportation. Transportation exhaust covers about 1/4 of the global carbon dioxide. Today, the whole world is focusing their eyes over greenhouse effect. Human requirement to energy saving and environment protection standard of vehicle is becoming harsher and harsher. Steel industry needs steel of higher quality in order to development product to meet this requirement.⁷⁵ As a main material covering 70% of the total weight of automobile, still must develop toward the direction lighter, higher strength, workable, and higher precision. Besides energy saving and environmental protection, steel should meet the special requirement of vehicle manufacturing and safety performance.⁷⁶

⁷¹ Appendix VIII-10, Pay the price for the big steel, The American Institute for International Steel, 2000. Page 161.

⁷² Refer to appendix VIII-14 US Talent Bank reported, “The Articles of Buy American Act brings more lose than gains.http://news.xinhuanet.com/fortune/2009-02/05/content_10765550.htm.

⁷³ Refer to appendix VIII-14, Bao Gang reduced cost in expansion, automobile industry benefited most <http://guide.ppsj.com.cn/art/5066/20824036/>

⁷⁴ Refer to appendix VIII-14, Characters of Steel Product for Making Automobile, and Analysis of Development and Trend of Production Technology

⁷⁵ Refer to appendix VIII-14, Expert Point out Green Energy Saving Vehicle is Direction of Steel Development. <http://news.hexun.com/2009-09-15/121089256.html>

⁷⁶ Refer to appendix VIII-14, Expert Point out Green Energy Saving Vehicle is Direction of Steel Development. <http://news.hexun.com/2009-09-15/121089256.html>

Steels for vehicle manufacturing are divided into the following: armor plate covers more than 50%, stainless steel (special steels such as gear steel, bearing steel, spring steel, etc) covers 30%, profiled bar covers 6%, strip steel covers 6.5%, steel tube covers 3%, metalwork and other cover 1%. Armor plate of various types is the main vehicle steel, which can be divided into hot rolled plate (hot rolled sheet, and medium plate), and cold rolled plate (common cold rolled plate, coating plate) according to manufacturing techniques; and can be divided into deep-drawn performance mild steel series represented by IF steel (Interstitial Free Steel Sheet) and high tension steel represented by TRIP steel.⁷⁷

Vehicle manufacturers usually adopt direct supply method to order steel from steel factories. Long-term agreement is signed if steel price fluctuates within a narrow range.⁷⁸ For example: most of the US steel enterprises such as ArcelorMittal, U.S.SteelCorp., and AKSteelCorp all negotiated with vehicle manufacturers as Ford, General Motor, and Toyota in order to sign an agreement of steel purchasing concerning price and terms.⁷⁹ The real price of steel of vehicle manufacturers is not the market price as we imagined.⁸⁰ Government subsidy directly leads to the cost reduction of steel enterprises, which also reduced steel price in the large scale. Automobile industry, the big steel user, benefited a lot from this change.

Steel price reduced is really a surprise to automobile industry. Steel purchase covers 40% of the cost of automobile manufacturing. With a price reduction of 36% of vehicle steel, production cost of automobile enterprises is reduced about 14.4% in the previous year accordingly.⁸¹

To summary up, “Buy America Act” brings big favor and benefit to US automobile industry. According to “Buy America Act”, the government is required to pay a high price to purchase the products of steel enterprises. Actually huge capital flowing into US steel industry just began according to this Act. Directed by relevant US industry policies, the benefited steel manufacturers began to provide steel to downstream vehicle manufacturers in lower price accordingly. “Buy America Act” makes benefit to US automobile industry, which structures the subsidy stipulated in Article 3 of *Anti-subsidy Regulations*.

14.1 Financial Assistance

Automobile is one of the pillar industries of America. Support the development of

⁷⁷ Refer to appendix VIII-14, Characters of Steel Product for Making Automobile, and Analysis of Development and Trend of Production Technology

⁷⁸ Refer to Appendix VIII-14, Steel Price and Automobile Cost, <http://yhdfqc.com/csnews/csnews689.html>

⁷⁹ Refer to Appendix VIII-14, Steel Costs are too High to be Afforded by Domestic and Foreign Auto Makers. <http://content.caixun.com/NE/00/sm/NE00smup.shtm>

⁸⁰ Refer to appendix VIII014, Steel Price and Vehicle Cost. <http://yhdfqc.com/csnews/csnews689.html>

⁸¹ Refer to appendix VIII-14, Steel Price Down, Vehicle Cost is Reduced more than 1/10 <http://www.csteelnews.com/101695/49797.html>

vehicle industry is always an important industry policy of America. The Buy American Act sponsored by federal government and state governments created an environment to buy domestic products, according to which, federal government and state governments purchase premium to buy domestic steel products and use them in many governmental projects. The reason for purchase premium is that according to the prescription of Buy American Act, purchase premium is possible only when foreign steel price is reduced to a certain level under domestic steel price. Without this Act, American government will not be forced to spend such a huge amount in US steel enterprise, but will act as a rational consumer, who will buy the new steel products according to market price. Purchase premium is actually a kind of subsidy government provided to steel manufacturers.

"Buy American Act" falls into "purchased by the government of an exporting country (region) at a premium price", the subsidy benefit to US steel manufacturers is passed down to US automobile industry in the downstream and turned out to be a subsidy US government offered to automobile industry. Apparently, this has structured the Financial Assistance prescribed in *Anti-subsidy Regulations*.

14.2 Benefits

Steel is an important material invested in automobile manufacturing, which benefited from the huge subsidy offered by federal government and state governments in various forms such as "Buy American Act". We are justified to believe that under such a subsidy, steel price is necessarily lower than the price payable to steel without subsidy. This is a big influence to the production cost of US automobiles. Subsidy benefit to US steel manufacturers is passed down to US automobile industry in the downstream, and thus realized the policy target of protecting and aiding domestic automobile industry.

Thus the "Buy American Act" structures the definition of "which will benefit the recipients" as stated in Article 3, Chapter II of *Anti-subsidy Regulations*. The applicant has calculated and found that the subsidy under this subsidy item is not de minimis.

14.3 Specificity

Steel is a material investment to automobile manufacturing. Under mandatory provision, US federal government bought American goods and offered huge subsidy to US steel industry, which, after benefited from the subsidy, began to provide cheaper automobile steels to downstream vehicle manufacturers, the whole automobile industry get a favor from the whole process. Thus structures the specificity standard stipulated in Article 4, Chapter II of *Anti-subsidy Regulations*.

15 “Terms for Procuring American Vehicles”

According to an expense act passed by the Commons in this summer, some federal agencies are forbidden to procure vehicles other than General Motor, Chrysler and According to the Climate Change Act passed by the Commons, it seems the government should give American companies priority when distributing its 2 billion USD development fund for rechargeable electric vehicles.⁸²

According to American Recovery and Reinvestment Act passed in Feb, 17, 2009, new vehicles and light truck bought during the period from the date when the Act was passed to Dec. 31, 2009 are provided taxation subsidy. The Act allows people to buy personal deduction sales of specific vehicles, and allows the first amount within USD49,500 spent on vehicle purchasing enjoys favorable taxation. Exceeding part will be imposed with taxation.⁸³

The concept Buy America comes from Buy America Act passed in 1933, which was applied in public projects invested by federal government in 1978 for the first time. The original tenet for drafting this Act is to “support and protect American industries, American workers and American investment capital”. According to this Act, foreign products can be procured only under the conditions that domestic supply is not enough, domestic price is too high, or bad sequence will be resulted to American state benefit if not buying foreign goods. Since the broke out of economic crisis aroused by the United States Sub-loan Crisis, US government adopted a series of measures to stimulus the economic development. Such as in 2009, the US council passed a 787 billion USD bill for stimulating economic growth, including the articles of Buy American Act.⁸⁴Of course, Buy American Act is not limited to several bills above mentioned, which is scattered in various laws and policy documents of federal government and states and works as a common system.

In terms of automobile industry, American council voted and passed *Appropriations Bill for Energy and Water Development* in July 2009. According to this Bill, capitals in this bill cannot be used to buy vehicles other than the manufacturers of General Motor, Ford and Chrysler.⁸⁵That is to say, capital under this bill can only be used to buy vehicle produced by General Motor, Ford and Chrysler. It is acknowledged that Senate and Commons have separately passed their own appropriation approval bills.⁸⁶It is acknowledged that appropriation is huge under Appropriations Bill for

⁸²Refer to appendix VIII-15, US Government Rescue Automobile Industry
http://www.mmsonline.com.cn/mmsonline/_01-ABC0000000000143853.shtml

⁸³ Refer to appendix VIII-15, Money for the Auto Industry: Consistent with WTO Rules? P11.

⁸⁴ Refer to appendix VIII-15 US Talent Bank reported, “The Articles of Buy American Act Brings more Lose than Gains.February 5, 2009. Data source: Xinhuanet.
http://news.xinhuanet.com/fortune/2009-02/05/content_10765550.htm.

⁸⁵ Refer to appendix VIII-15, H_R_3183 Energy and Water Development and Related Agencies Appropriations Act, 2010. http://www.opencongress.org/bill/111-h3183/actions_votes

⁸⁶ Refer to appendix VIII-15, US Council Passed Appropriations Bill for Energy and Water Development.
<http://www.hytrend.cn/news.h2.asp?%B1%EA%CC%E2=%C3%C0%B9%FA%B9%FA%BB%E1%CD%A8%B9%FD%C4%DC%D4%B4%BA%CD%CB%AE%D7%CA%D4%B4%B2%A6%BF%EE%B7%A8%B0%B8>

Energy and Water Development, which provides at least about 24.3 billion USD special appropriations only in 2008.⁸⁷

US president Obama declared that US government will procure 17.6 thousand domestic new energy-saving vehicles before 01.06.09 in order to incite domestic need to US autos. Obama declares that General Services Administration will use about 0.285 billion USD out of the 787 billion USD of Economic Stimulus Plan by procuring above said vehicles from the three top auto manufacturers of General Moto, Ford and Chrysler. Obama announced in one statement, “As a promise made to American Automobile Industry, I have asked the government to use the capital allocated to economic Recovery Act to procure a batch of new type energy saving vehicles for the government, thus to increase the need of US domestic vehicles and stimulus economy.” It is said that there will be 2500 hybrid electric vehicles in the governmental using vehicles. This is the first time for US government to buy so many hybrid electric vehicles at one time.⁸⁸

In 2009, the US council passed a 787 billion USD bill for stimulating economic growth, including the articles of Buy American Act, according to which, steel and finished products used in support plan project should use America produced products.⁸⁹ Since the beginning of 2009, the Application Scope of Buy American Act continues to expand.⁹⁰ According to American Recovery and Reinvestment Act, steels needed for infrastructure construction project of about 90 billion USD should be produced in America. It is said that this limit tends to be expanded to all the equipment and commodities listed in government expense project of about 355 billion USD.⁹¹

The applicant thinks that since various terms of “Buy American Act” requires the government to spend huge capital to buy vehicles from the top vehicle manufacturers, to provide huge subsidy benefit to US Auto industry, subsidy under Article 3 of *PRC Anti-subsidy Regulations* has been structured.

15.1 Financial Assistance

Automobile industry is one of the most important pillar industries in America, with a huge number of employees. Less efficient, poor management, and high cost have long since hovering American automobile and keep it down. Under the impact of the

⁸⁷Refer to appendix VIII-15, US secretary of Energy Urges Council to Pass Appropriations Bill for Energy and Water Development by the Eng of 2007 Fiscal Year

⁸⁸Refer to appendix VIII-15, US government will procure 17.6 thousand Domestic New Energy Saving Vehicles. Xinhuanet.

⁸⁹ Refer to appendix VIII-15 US Talent Bank reported, “The Articles of Buy American Act Brings More Lose than Gains.http://news.xinhuanet.com/fortune/2009-02/05/content_10765550.htm.

⁹⁰Refer to appendix VIII-15, Canada Minister of Industry: US Government Tends to Expand Application Scope of Buy American Act

<http://content.caixun.com/NE/01/cg/NE01cgjf.shtm>

⁹¹ Refer to appendix VIII-15, US Trade Protectionism Emerges.

<http://www.caijing.com.cn/2009-01-30/110051614.html>

economic crisis, American automobile industry is between the beetle and the block. All three top forms are driven to corner. President Obama declared in public, "I may not, can not, and will not let our automobile industry perish...It is a pillar of our economy, it is where millions of dreams dwelt."⁹²Therefore, America advanced a series of measures and made effort to save the troubled US automobile industry, including the advancing of "Buy American Act".

Various terms of above mentioned "Buy American Act" created an atmosphere of buying domestic automobiles, making American government agencies and relevant Public Agencies funded by the federal government and state governments purchase premium to buy domestic vehicles. The reason for purchase premium is that according to various terms of above mentioned "Buy American Act", any unit to acquire government capital must buy American vehicles. Various terms of above-mentioned "Buy American Act" completely exclude foreign automobiles from their public projects, which put US automobile industry in an advantageous position. US automobiles raised their price, while public project construction units are forced to buy US vehicles under premium price. In this way, US automobile industry is offered a huge subsidy by the government. Obviously, without this Act, American government will not be forced to spend such a huge amount in US automobile forms, but will act as a rational consumer, who will buy the new energy automobiles according to market price. Purchase premium is actually a kind of subsidy the government provided to vehicle manufacturers. Various terms of above mentioned "Buy American Act" structure the Financial Assistance stipulated in Article 3 of *Anti-subsidy Regulations*, this is to say, "purchase premium goods by an exporting country (region)."**15.2 Benefits**

In recent decades, the U.S. automotive industry was in recession. The main reason is that the U.S. automotive industry always refused to carry out large-scale structural adjustment, which resulted in years of low efficiency, poor management and high costs. According to the sales statistics in the first six months of 2009, General Motors Company' sales fell 40.4% compared to the same period of 2008, Chrysler LLC's sales declined 45.7%, and the sales of the entire market dropped 27.7%. This shows that the operation of the two automakers is relatively fragile. Ford Motor Company, which did not accept assistance from the U.S. ⁹³Government, saw its sales descend 34.1% in the first half of 2009. Ford is not a match to GM in terms of sales volume.⁹⁴

The various "Buy American" provisions mentioned above have obviously brought benefits to the U.S. domestic automotive industry (mainly to GM, Ford and Chrysler).

⁹²Refer to appendix VIII-15, Obama Strike-Hard Drive to Help Reform US Automobile Industry <http://news.chinesewings.com/cgi-bin/site/j.cgi?id=200903318348780>

⁹³ See Appendix VIII-15, U.S. House of Representatives Reconsiders "Buy American"; Japanese Government Worries. <http://www.motorlink.cn/html/marketInfo/10000122ea42bacd2009080610292515.html>

⁹⁴ See Appendix VIII-15, Critical Situation of Japan-US Auto Trade. http://www.21cbh.com/HTML/2009-7-29/HTML_7FKVI0K8WRLB.html

First of all, the Big Three benefit from the sales growth promoted by government procurement projects in accordance with the regulations of the *Buy American Act*. Secondly, the above various "Buy American" provisions make the Big Three obtain premium from the government. The *Buy American Act* will bring enormous subsidy benefits to the U.S. automotive industry.

Therefore, the above-mentioned various "Buy American" provisions constitute "bringing benefits to recipients" stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

15.3 Specificity

Although the wording may differ, the keynote of the various "Buy American" provisions above is the same – demanding relevant projects supported by the assistance program to use automobiles made in the United States. The subsidy benefits clearly target the U.S. automotive industry, especially the three major automakers - GM, Ford and Chrysler, constitute "subsidies obtained by some enterprises and industries clearly stipulated by laws and regulations of exporting countries (regions)", and conform to the "specificity" requirement of the *Countervailing Regulations*.

□ **Subsidies Provided in the Form of Waiving or not Collecting Receivable Income (Item 2, Clause 3, Article 3 of the *Countervailing Regulations*)**

16 Financial Assistance of Economic Recovery Tax Act of 1981

The *Economic Recovery Tax Act of 1981* created a new form of "safe harbor leasing" designed to take full advantage of tax abatement. While substantially reducing corporate income tax rates, the *Act* advanced the accelerated depreciation system to a new height, namely, cut off the link between the service life of assets and the period of depreciation especially for taxation purpose, and implemented faster depreciation by classifying all fixed assets into four categories with a depreciation period of 3 years, 5 years, 10 years, 15 years, respectively. The depreciation period is 15 years for factory buildings and 3 years for automobiles. In this way, automakers have a large number of fixed assets, the accelerated depreciation of fixed assets is further accelerated, and automakers can obtain a large sum of replacement funds of fixed assets in a short term, and consequently accumulate funds rapidly to expand investment. In addition, in order that the non-benefit or low-benefit enterprises can enjoy investment tax credits, that is, a part of corporate capital investment can be deducted from the tax liability of that year, the U.S. government issued the "safe harbor leasing" provision of the *Economic Recovery Tax Act of 1981*. This provision allows low-benefit or non-benefit enterprises to lease equipment from other enterprises. In this way, loan-sharking enterprises, the lessors of equipment, can enjoy the benefits of investment tax credits as they bought equipment; low-benefit or

non-benefit enterprises can not only lease equipment, but also “share” with the lessors the benefits of investment tax credits. In addition, the depreciation of their investment can still be calculated based on the full amount after enjoying the investment tax credit.⁹⁵ According to statistics, the “safe harbor leasing” provision had brought a subsidy of \$750 million to the domestic iron and steel industry within two years since its implementation.⁹⁶ It is reasonably foreseeable that the automotive industry will thus undoubtedly save a huge amount of tax expenditures.

The applicant believes that the preference the *Act* offers to the U.S. automotive industry constitutes the subsidies under Article 3, Chapter II of the *Countervailing Regulations*.

16.1 Financial Assistance

Depreciation is an expenditure that can be deducted from taxation, therefore, the more the depreciation, the less the tax will be. The *Economic Recovery Tax Act of 1981* shortens depreciation period; and the depreciable life is not based on 100% of the purchase price, but on the amount of purchase price minus investment tax credit. At the same time, the “safe harbor leasing” provision of the *Economic Recovery Tax Act of 1981* allows low-benefit or non-benefit enterprises to lease equipment out of use from the profitable enterprises with preference of income tax deduction to relieve income tax liability. The above regulations all cut off a large sum of tax expenditures for the automotive industry. This has clearly constituted the “Financial Assistance” under Article 3, Chapter II of the *Countervailing Regulations*, namely, “exporting countries (regions) waive or do not collect receivable income”.

16.2 Benefits

This *Act* wins substantial tax breaks for the automakers with a large number of fixed assets and long depreciation life, and makes them obtain huge amounts of replacement funds in a short term. At the same time, the implementation of the “safe harbor leasing” provision also brings benefits to auto vendors. They sell autos in the form of open leasing in order to enjoy tax preference; when the lease expires, they sell autos to employees of their customers⁹⁷. In this way, the enterprises with tax breaks have more commercial advantages than those industries and enterprises without tax preference. This has constituted “bringing benefits to recipients” stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

16.3 Specificity

⁹⁵ See Appendix VIII-16, Characteristics of Micro-economic Regulation in Capitalist Countries, <http://zjx.bstvu.edu.cn/case4.htm>

⁹⁶ See Appendix VIII-16, page 133.

⁹⁷ See Appendix VIII-16, Passenger car leasing (SIC 7515) . <http://www.answers.com/topic/passenger-car-leasing>

Although these tax incentives do not directly target the automotive industry, in fact, only a small number of large-scale industries and enterprises with a great quantity of fixed assets are main beneficiaries of the *Act*. Thus, the subsidy benefits provided by the *Economic Recovery Tax Act of 1981* conform to the de facto specificity.

17 Financial Assistance of Tax Reform Act of 1986

The *Tax Reform Act of 1986* increased the cost of enterprises, which was mainly due to the cancellation of the investment tax credits; in addition, the *Act* modified the tax computing mode and implemented new and stricter corporate minimum tax rate, which significantly increased the burden on enterprises.⁹⁸ In order to relieve the impact of abolition of tax preference on the U.S. machinery manufacturing industry, the U.S. Congress adopted a method of passing the *Act* separately, and voted on the transition period provision for some special industries. According to statistics, from 1986 to 1990, this exception had brought \$574 million for the U.S. iron and steel industry.⁹⁹ Needless to say, the automotive industry plays a unique and extremely important role in U.S. machinery manufacturing industry. No matter in production value or number of persons engaged, the automotive industry is important in the United States. However, like the U.S. iron and steel industry, the U.S. automotive industry sees its competitiveness going downhill. Granting the automotive industry with tax concessions, protecting and supporting automotive industry development is one of the important industrial policies of all previous U.S. governments. The preference provided by the *Act* for the U.S. automotive industry has constituted the subsidies under Article 3, Chapter II of the *Countervailing Regulations*.

17.1 Financial Assistance

Within enterprises, the impact of the *Tax Reform Act of 1986* varies much as a result of different tax brackets. The major influence of the *Act* is dividing effective tax rates of various sectors into a number of levels, for example, the new package tax will make the manufacturing sector suffer from greater impact than the service sector.¹⁰⁰ In order to reduce the impact of abolition of investment tax credits on U.S. domestic major manufacturing and basic industries, the U.S. Congress granted an exceptional period of transition to iron and steel and auto industries in the *Tax Reform Act of 1986*. Provisions in depreciation of fixed assets: Most of the tangible personal property and real estate put into use in the United States after 1980 and before January 1, 1987 must reclaim the capital costs according to the Accelerated Cost Recovery System (ACRS). The tangible property put into use after 1986 can reclaim the capital costs according to the Modified Accelerated Cost Recovery System (MACRS). The usual cost recovery period is 3 years, 5 years, 7 years, 10 years, 15 years, 20 years, 27.5 years and 39 years; the cost recovery period for autos is 5 years. For the property with

⁹⁸ See Appendix VIII-17, Brief Introduction to *Tax Reform Act of 1986* of the United States, http://www.cftl.cn/show.asp?c_id=3&a_id=2511

⁹⁹ See Appendix VIII-17, page 2.

¹⁰⁰ See Appendix VIII-17, Brief Introduction to *Tax Reform Act of 1986* of the United States, http://www.cftl.cn/show.asp?c_id=3&a_id=2511

a cost recovery period of 3 years, 5 years, 7 years or 10 years, the 200% (double) declining balance depreciation method shall be adopted; the balance remained after the depreciation shall use straight-line depreciation method for further depreciation, thereby to maximize depreciation deduction. For the property with a cost recovery period of 15 years and 20 years, the 150% declining balance depreciation method shall be adopted; the balance remained after the depreciation shall use straight-line depreciation method for further depreciation. Special provisions were stipulated for the automotive industry: The accelerated depreciation deduction can only be applied when more than 50% of the vehicles are used for eligible operation.¹⁰¹ These provisions have offered special financial assistance to the automotive industry, and thereby constituted Item 2 of “Financial Assistance” under Clause 2, Article 3, Chapter II of the *Countervailing Regulations*, which says, “exporting countries (regions) waive or do not collect receivable income”.

17.2 Benefits

The transition period stipulated by the *Act* avoids cost increase of automakers, as well as tax increase resulted from minimum tax rate, and reduces income tax, therefore, enterprises with tax breaks enjoyed lower costs and tax concessions, and have more commercial advantages than other industries and enterprises without tax preference. From 1986 to 1990, this exceptional provision had brought \$574 million of benefits to the iron and steel industry, which is closely related to the automotive industry. It is foreseeable that the subsidy benefits obtained by the automotive industry were also enormous. In addition, the auto enterprises obtained large amounts of replacement funds as a result of the special regulations for automotive industry about accelerated depreciation of fixed assets. In summary, the *Tax Reform Act of 1986* has constituted “bringing benefits to recipients” stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

17.3 Specificity

However, the main beneficiaries of the *Act* are limited to the U.S. machinery manufacturing industry. This conforms to “subsidies obtained by some enterprises and industries clearly stipulated by laws and regulations of exporting countries (regions)”. Therefore, the *Tax Reform Act of 1986* accords with the “specificity” requirement stipulated by Article 4, Chapter II of the *Countervailing Regulations*. It is noteworthy that special provisions go to the automotive industry while the preference for fixed assets depreciation of other industries is lessened. The indirect tax incentives are industry-oriented, and have brought huge amounts of subsidies to automakers.

18 Michigan Provides GM with Tax Incentive Package

¹⁰¹ See Appendix VIII-17, Comparison and Reference of Tax Policy of Chinese and Foreign Equipment Manufacturing Industry, <http://www.51099.com/lunw/ecss/20080901/127373.html>

In June 2009, Michigan announced to sponsor GM to build up a world-class subcompact car manufacturing plant. On the day when GM selected Orion as the site for its new subcompact car facility, GM North America president Troy Clarke told the media that Michigan's tax-incentive package will give \$212.3 million in business tax credits for the Orion plant over 20 years.¹⁰² Michigan's incentive package, plus lower labor and other operating costs, allows GM to become the first automaker to build a subcompact car in the United States. Jennifer Granholm, Governor of Michigan, said in an interview that Michigan was “more creative than it has ever been” in offering a package of tax incentives for GM.¹⁰³ It was reported that, according to some well-informed sources, Michigan has offered tax incentive schemes to all GM's assembly plants in the state.

18.1 Financial Assistance

Michigan's tax incentive package will offer \$212.3 million in business tax credits for the Orion plant over 20 years. The applicant believes that this clearly constitutes the "Financial Assistance" under Article 3 of the *Countervailing Regulations*.

18.2 Benefits

The above tax incentive package obviously provides huge benefits to GM. Michigan waive its receivable tax revenue and makes GM obtain tremendous economic benefits. This has constituted “bringing benefits to recipients” stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

18.3 Specificity

Michigan's tax incentive package clearly targets a special enterprise, namely GM. This conforms to the “specificity” requirement stipulated under Article 4, Chapter II of the *Countervailing Regulations*.

19 Michigan Provides Tax Grant to Chrysler

Chrysler LLC announced in April 2009 that the Michigan Economic Development Corporation (MEDC), in order to help Chrysler to achieve the goal to introduce production electric-drive vehicles, has offered the battery supplier A123 Systems Inc. a \$100 million tax grant to build a full-scale battery manufacturing facility in Michigan. The new plant will bring additional high-tech jobs to Michigan, and will help Chrysler achieve its leadership goals in electric vehicle development and production. "We're excited to see such tremendous support from both the government and the industry in growing the nation's electric vehicle and advanced battery

¹⁰² See Appendix VIII-18, Michigan wins chance to help GM build its first successful subcompact car on U.S. soil http://www.mlive.com/auto/index.ssf/2009/07/michigan_wins_chance_to_help_g.html

¹⁰³ See Appendix VIII-18, GM to Manufacture Subcompact Cars in Michigan Plant, <http://mnc.people.com.cn/GB/9553070.html>

sectors," said David Vieau, president and CEO of A123 Systems. "This plant furthers our shared commitment with Chrysler to American technology and energy leadership, and we're proud to be a part of bringing automotive jobs back to Michigan soil."¹⁰⁴ In the opinion of the applicant, this project has constituted the subsidies under Article 3 of the *Countervailing Regulations*.

19.1 Financial Assistance

Michigan provides A123 Systems with a \$100 million tax grant to support its R&D, which equals to saving as much for the company. The applicant believes that the tax grant offered by Michigan constitutes the "Financial Assistance" stipulated in Article 3 of the *Countervailing Regulations*.

19.2 Benefits

The above tax incentive measure has obviously provided huge benefits to Chrysler. Michigan waives its receivable tax revenue and makes A123 Systems obtain tremendous tax credits, from which Chrysler directly benefits. This has constituted "bringing benefits to recipients" stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

19.3 Specificity

Michigan's tax incentive measure clearly targets a special enterprise, namely A123 Systems, and is directly beneficial to Chrysler. This conforms to the "specificity" requirement stipulated under Article 4, Chapter II of the *Countervailing Regulations*.

20 Michigan Provides Tax Incentive to Ford

On February 17, 2009, Ford received \$55 million incentive in refundable tax credits from the MEDC.¹⁰⁵ The measure of tax incentive will help Ford to engage in the R&D of future electric vehicles and batteries. Jennifer Granholm, Governor of Michigan, announced that Ford will receive refundable tax credits through the new Michigan Advanced Battery Credits initiative. This incentive will help Ford to introduce a full battery Transit Connect van-type commercial vehicle by 2010, a full battery electric passenger car in 2011, and next-generation hybrid vehicles by 2012.¹⁰⁶

¹⁰⁴ See Appendix VIII-19, Chrysler LLC Facilitates High-tech Jobs in Michigan

http://www.aftermarketnews.com/Item/47642/chrysler_llc_facilitates_hightech_jobs_in_michigan.aspx

¹⁰⁵ See Appendix VIII-20, FORD RECEIVES MICHIGAN TAX CREDITS FOR FUTURE ELECTRIC VEHICLES, BATTERY DEVELOPMENT

http://media.ford.com/article_display.cfm?article_id=29891

¹⁰⁶ See Appendix VIII-20, Ford gets incentives from Michigan for EV battery development

<http://green.autoblog.com/2009/02/17/ford-gets-incentives-from-michigan-for-ev-battery-development/#>

20.1 Financial Assistance

Michigan provides Ford with \$55 million refundable tax credits, which will save the same amount of tax expenditures for Ford. This has constituted the "Financial Assistance" stipulated in Article 3 of the *Countervailing Regulations*.

20.2 Benefits

The above-mentioned tax incentive has obviously provided huge benefits to Ford. Michigan waives its receivable tax revenue and makes Ford obtain tremendous economic benefits. This has constituted "bringing benefits to recipients" stipulated in Article 3, Chapter II of the *Countervailing Regulations*.

20.3 Specificity

Michigan's tax incentive measure clearly targets a special enterprise, namely Ford. This conforms to the "specificity" requirement stipulated under Article 4, Chapter II of the *Countervailing Regulations*.

Michigan tax incentives are very clear to the specific business that is provided by the Ford Motor Company in line with "Anti-Subsidy Regulations," Chapter II Article IV of the specificity requirements set.

21 Hybrid Vehicle Tax Incentives

In compliance with the U.S. Energy Policy Act of 2005 (EPACT), the federal tax was reduced for qualifying hybrid electric vehicles in 2005. According to the tax reduction proposal of U.S Treasury Secretary Snow, the energy policy act also extends tax incentives to electric vehicles not covered under the act yet. The Vehicles that qualify include fuel-cell vehicles, alternative fuel vehicles and hybrid heavy vehicles. The U.S Internal Revenue Service (IRS) would be releasing a proposal of the qualifying procedures for such futuristic vehicles.¹⁰⁷

U.S. hybrid vehicle tax incentives apply to retailers and buyers of those cars. Buyers can receive a maximum tax credit of US\$3,400. They can claim tax credits between US\$400 to US\$2,400 based on the fuel efficiency of the purchased vehicles. In addition, hybrid vehicle drivers can apply for "permanent tax incentives"¹⁰⁸ based on the estimated lifetime energy savings.

The applicant considers this item as a subsidy under the *Anti-Subsidy Regulations*

¹⁰⁷ Please see appendix 8-21, Energy policy act 2005, <http://www.energy.gov/taxbreaks.htm>.

¹⁰⁸ Please see appendix 8-21, Hybrid Vehicle Tax Credit.

<http://ezinearticles.com/?Hybrid-Vehicle-Tax-Credit&id=2348952>

Article No.3.

21.1 Financial Assistance

The U.S. government and its automobile sector have the same mission, which is to manage the huge risk arising from high fuel prices. By improving energy policies and reducing U.S. dependence on fuel, the U.S. automobile sector could change the situation positively. Hybrid vehicle tax incentives could expand the buying power of consumers, hence indirectly encouraging automobile companies to improve their technologies, reducing their reliance on fuel and so have an advantage over competitors. This constitutes “Financial Assistance” under the *Anti-Subsidy Regulations* Chapter 2 Article 3(2), which is the government of the export country (region) forgoing or not collecting revenue that is otherwise due.

21.2 Benefits

The above-mentioned tax incentive measure explicitly benefits General Motors greatly. The U.S. Federal Government gave up the tax revenue that should be collected and enabled automobile enterprises to receive a huge economic benefit. This violates Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefiting the recipients.”

21.3 Specificity

The tax incentive measures of the U.S. Federal Government are clearly targeted at specific enterprises, that is, automobile enterprises. This fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

22 Fuel Cell Vehicles Tax Credit

The Emergency Economic Stabilization Act of 2008 includes plug-in hybrid vehicles in its scheme.¹⁰⁹ The tax incentives covered by the Act include: (1) light vehicles - for battery pack capacity of 4 kilowatts, the tax credit is US\$2,500, with additional US\$417 for every increment of 1 kilowatt, up to a maximum of US\$7,500. (2) Heavy vehicles: for vehicles exceeding 10,000 pounds but not more than 14,000 pounds, the tax credit is US\$10,000. For vehicles weighing between 14,000 - 26,000 pounds, the credit is US\$12,500. For vehicle exceeding 26,000 pounds, the credit is US\$15,000¹¹⁰.

The American Recovery and Reinvestment Act of 2009 extended the benefits to plug-in electric hybrid vehicles. Vehicles modified by authorized organizations can receive a tax credit of 10% of the modification cost.¹¹¹

¹⁰⁹ Please see annex 8-22, Emergency Economic Stabilization Act of 2008, http://www.energy.gov/media/HR_1424.pdf

¹¹⁰ Please see annex 8-22, *Tax credits and deductions for hybrid vehicles*, http://www.soultek.com/clean_energy/hybrid_cars/hybrid_car_tax_credit.html

¹¹¹ Please see appendix 8-22, Seven Facts about the New Sales Tax Deduction for Vehicle Purchases,

The applicant considers this item as a subsidy under the third article of the *Anti-Subsidy Regulations*.

22.1 Financial Assistance

The development of new energy vehicles has been made an important industrial strategy by the U.S. government. The Emergency Economic Stabilization Act of 2008 uses tax incentives to provide huge financial aid to its automobile and spare parts industries, which constitutes as the financial assistance described in China's *Anti-Subsidy Regulations*.

22.2 Benefits

The above-mentioned tax incentive measure explicitly benefits General Motors greatly. The U.S. Federal Government gave up the tax revenue that should be collected and enabled automobile enterprises to receive a huge economic benefit. This violates Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by "benefiting the recipients."

22.3 Specificity

The tax incentive measures of the U.S. Federal Government are clearly targeted at specific enterprises, that is, automobile enterprises. This fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

23 Consumer Energy Tax Stimulus

The American Energy Policy Act of 2005 (EPACT) amended in Emergency Economic Stabilization Act of 2008 etc. provides tax incentives. Consumers can use the federal tax chart to determine the vehicle type to purchase, and hence, reduce their payable federal taxes.

According to the new U.S. Tax Regulations, every manufacturer who sold not more than 6,000 hybrid vehicles in 2006 will receive the full tax credit amount. In early May 2007, the IRS adjusted the tax incentive measure for fuel efficient vehicles. In compliance with the IRS Announcement¹¹², buyers of eligible hybrid vehicles from General Motor Company (GMC) are entitled to US\$ 250 – US\$1,300 tax credits. The 2-wheel drive vehicles, GMC Sierra Hybrid Pickup Truck and Chevrolet Silverado Hybrid car, will get tax credits of US\$250, whereas 4-wheel drive vehicles get US\$650 credits. Purchasing Saturn Vue Green Line Series Hybrid vehicles gets you

<http://www.irs.gov/newsroom/article/0,,id=206633,00.html>

¹¹² Please see annex 8-23, Summary of the Credit for Qualifying Hybrid Vehicles, <http://www.irs.gov/newsroom/article/0,,id=157557,00.html>

US\$650 credits and US\$1,300 for the Aura Hybrid vehicle. Ford Escape Hybrid 2WD eco-friendly vehicles will receive US\$2,600 credits whereas the Ford Escape Hybrid 4WD is entitled to US\$1,950 tax credits.

In addition, consumers can also receive tax incentives through the Home Energy Efficiency Improvement Tax Credits, Residential Renewable Energy Tax Credits¹¹³. Purchasers and installers of energy saving products could get a tax credit of 30% of the cost, up to US\$1,500.

23.1 Financial Assistance

The tax credits given by the U.S. government to new energy car buyers is considered as the government of an export country (region) forgoing or not receiving the revenue due. This constitutes as “financial assistance” under the *Anti-Subsidy Regulations* Chapter 2 Article 3.

23.2 Benefits

The above-mentioned tax incentive measure explicitly benefits General Motors greatly. The U.S. Federal Government gave up the tax revenue that should be collected and enabled automobile enterprises to receive a huge economic benefit. This violates Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefiting the recipients.”

23.3 Specificity

The tax incentive measures of the U.S. Federal Government are clearly targeted at specific enterprises, that is, automobile enterprises. This fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

24 Tax Credit for U.S. Exports

In October 2004, the United States passed the Jobs Creation Act of 2004 in response to the WTO verdict against the United States in granting U.S. companies export subsidies in accordance to the Foreign Sales Corporation Act and Extra-territorial Income Exclusion Act. The Jobs Creation Act of 2004 removes 113 tax breaks with certain conditions. At the same time, in order to make up for the loss of subsidized income suffered by the U.S. domestic companies, this Act introduced a new tax reduction system applicable to manufacturers.

The Jobs Creation Act of 2004 reduced the percentage of taxation from 35% to 5.25% of taxable revenue such that the overseas benefits of U.S. domestic companies that are transferred back to the United States can be used for training workers, fixed assets

¹¹³ Please see annex 8-24, HR_1424. http://www.energy.gov/media/HR_1424.pdf

investment and R&D. This provided a transition period for the original tax breaks measures stated in the Extra-territorial Income Exclusion Act. By allowing the tax reduction measures to stand until the end of 2006, the United States has not really respected the relevant WTO rulings and continued to provide illegal export subsidies to U.S. companies. The Act allows qualifying U.S. domestic manufacturer tax exemptions of 3% of the company's 2005 and 2006 operation revenues. This percentage will be increased to 6% from 2007 to 2009 and 9% after 2010. ¹¹⁴

24.1 Financial Assistance

The U.S. government's granting of tax reduction to automobile exporting enterprises is considered as the government of an exporting country (region) forgoing or not collecting revenue that is otherwise due, which violates the provision regarding Financial Assistance of Chapter 2 Article 3 of the *Anti-Subsidy Regulations*.

24.2 Benefits

The above-mentioned tax incentive measure explicitly benefits General Motors greatly. The U.S. Federal Government gave up the tax revenue that should be collected and enabled automobile enterprises to receive a huge economic benefit. This violates Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by "benefiting the recipients."

24.3 Specificity

The tax incentive measures of the U.S. Federal Government are clearly targeted at specific enterprises, that is, automobile enterprises. This fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

□ Providing Subsidies by Providing Goods or Services (item 3 of Article 3 (3) of the *Anti-Subsidy Regulations*)

25 Chrysler Receives Assistance from the State of Michigan and United Auto Workers

On 12 September 2007, Chrysler, the State of Michigan and the United Auto Workers announced a special assistance plan for Chrysler's auto workers.¹¹⁵ The three parties worked together to provide financial funding, employment trainings and placement assistance to Chrysler's workers with the aim of helping new workers and at the same time revitalizing Michigan families and the state economy. The above-mentioned assistance plan consists of three segments: training, training fees and job placement.

¹¹⁴Please see Appendix 8-24, Jobs creation act 2005, [SEC. 102](#).

¹¹⁵Please see Appendix 8-25, Unique separation program offered to Chrysler workers <http://www.reliableplant.com/article.aspx?articleid=13423&pagetitle=Unique+separation+program+offered+to+Chrysler+workers>

In the area of training, skills and intellectual assessment, vocational counseling, crisis intervention and survival skills counseling, two-year training and supporting services, such as guidance and drills, are provided. In the area of training fees, Chrysler established a training fee assistance plan that provides a maximum of US\$ 5,000 annually within a two-year period, which works out to US\$10,000 for every worker. The training fees include instructional costs, book fees and material fees. In the area of job placement, help is provided to the participants to make use of their newly-acquired skills and education to directly work for the training provider and employers. Chrysler also provides a special re-assignment and guarantee service to help workers who are re-deployed. The Applicant deems that this plan constitutes the provision regarding subsidy as stipulated in Article 3 of the *Anti-Subsidy Regulations*.

25.1 Financial Assistance

The financial aids, employment trainings and placement assistance provided by the State of Michigan and the United Auto Workers to Chrysler are considered as “the government of an exporting country (region) providing goods or services other than general infrastructure” and “the government of an exporting country (region) directly providing funds in terms of grants”, which constitutes “Financial Assistance” as stated in Article 3 of the *Anti-Subsidy Regulations*.

25.2 Benefits

The above-mentioned workers welfare plan benefits Chrysler. The State of Michigan and United Auto Workers, by providing training support, training fees funding, job placement and financial services for property purchases, allow Chrysler to receive economic benefits. These benefits raised the welfare of Chrysler workers and helped Chrysler in saving on the relevant costs. This violates Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefiting the recipients”.

25.3 Specificity

The workers welfare assistance provided by the State of Michigan and United Auto Workers are clearly targeted at specific enterprises, that is, Chrysler. This fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the **Anti-Subsidy Regulations**.

◆ Providing Subsidies through Other Forms

26 Subsidy Benefits Received by the U.S. Automobile Industry due to the *Steel Import Stabilization Act of 1984*

The *Steel Import Stabilization Act of 1984* established the Voluntary Restraint

Agreement (VRA) that restricts the import of steel products. The VRA protected the domestic market share of U.S. steel producers, prevented them from facing the pressures of international competition and provided them a support mechanism in the form of mandatory pricing by the government. VRA only allocated 18.5% of the market share to imported steel, which was later revised to 20.26%.¹¹⁶ The VRA established by the Steel Import Stabilization Act of 1984 employed administrative and legal means to forcefully exclude and restrict steel imports into the U.S. market. This allows the U.S. steel industry to receive huge economic benefits. And through the passing on of these benefits, subsidies were passed on to the domestic automobile industry.

The Applicant deems that the preferential benefit passed on to the U.S. automobile industry constitutes a “subsidy” as stated in Article 3 of the *Anti-Subsidy Regulations*.

26.1 Financial Assistance

The VRA protected the domestic market share of U.S steel producers, prevented them from facing the pressures of international competition and provided them a support mechanism in the form of mandatory pricing by the government. The U.S steel industry, without doubt, will receive huge benefits from the above-mentioned market share restriction. While receiving the above-mentioned benefits, the production cost of U.S. steel producers will fall drastically, and this will result in lower prices of steel products as compared to other normal market conditions. This type of subsidized benefits, when passed on to the automobile industry, the major user of steel, is equivalent to an indirect granting of a large amount of financial assistance by the U.S. government. Therefore, this subsidy constitutes Financial Assistance as stipulated in Article 3 of the *Anti-Subsidy Regulations*.

26.2 Benefits

The VRA clearly provided benefits to the U.S. automobile industry. As a result of this agreement, the U.S. steel industry received approximately US\$1.3 to 1.9 billion in benefits annually from 1984 to 1992.¹¹⁷ As mentioned above, the subsidized benefit will naturally be passed on to the major user of steel – the automobile industry. This is equivalent to an indirect grant of a large amount of financial assistance by the U.S. government, and that benefits the domestic automobile industry. Therefore, the benefits passed on to the U.S. automobile industry violate Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefiting the recipients”.

26.3 Specificity

¹¹⁶ Please see Appendix 8-10, Report on U.S. Government Subsidies to the U.S. Steel Industry, The American Institute for International Steel, p2.

¹¹⁷ Please see Appendix 8-10, Report on U.S. Government Subsidies to the U.S. Steel Industry, The American Institute for International Steel, p2.

Steel is a major material of the automobile industry. The U.S. Federal government, by providing major subsidies to the steel industry, allows the steel-producing enterprises to provide relatively cheap steel material for car manufacturing to the automobile enterprises, which indirectly benefits the domestic automobile industry and achieves the aim of assisting the domestic automobile industry. Therefore, the benefits passed on to U.S. automobile industry as a result of the Steel Import Stabilization Act of 1984 fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

27 Subsidized Benefits to the U.S. Automobile Industry due to Special Environmental Exemption Deals

The U.S. court ordered the compliance to the *Clean Air Act*, which calls for the mandatory installation of pollutant controlling devices by the deadline of 31 December 1982.¹¹⁸ Faced with the court order, the U.S. steel industry launched a large-scale lobbying action. The result was that the Steel group of the Congress successfully pushed for a “steel stretch-out legislation” which helped to push back the implementation deadline by three years, that is, to 31 December 1985.¹¹⁹ This grace period helped the steel industry save US\$3.7 billion in “compliance cost” (US\$5.7 billion if based on the USD value in 1999). In 1989, the steel industry received a 30-year grace period to comply with the “*Health-based Air Toxin Standards*” stipulated in the Clean Air Act Amendment of 1990. Exemption to the Clean Air Act Amendment of 1990 allowed the steel industry to save US\$4.1 billion in “compliance cost” (US\$4.46 billion if based on the USD value in 1999). Such exemptions provided considerable financial benefits to the domestic steel-producing enterprises and also in actual fact provided subsidies to the U.S. automobile industry in the form of low-cost steel.

The special environmental exemption deals that were passed on to the U.S. automobile industry violated the provision on subsidy as stipulated in Article 3 of the *Anti-Subsidy Regulations*.

27.1 Financial Assistance

The environmental exemption deals for the steel industry are considered as support to the revenue and price of steel. The above-mentioned subsidized benefit, when flowed to the U.S. automobile industry, is equivalent to the U.S. government providing financial support to the automobile industry. This constitutes the definition of Financial Assistance as stated in Article 3 of the *Anti-Subsidy Regulations*.

¹¹⁸Please see Appendix 8-27, “Congress Approves Legislation to Extend Datelines of Steel Companies” Associated Press, 26 June 1981.

¹¹⁹Please see Appendix 8-27 “Congress Approves Legislation to Extend Datelines of Steel Companies” Associated Press, 26 June 1981.

27.2 Benefits

Steel is a major material of the automobile industry. With the huge subsidies coming from the special environmental exemption deals, we have reasons to believe that the sale price of steel products under subsidy in the United States will definitely be lower than the price the Applicant needs to pay for non-subsidized steel products. This will have a major impact on the production cost in automobile enterprises. The subsidized benefits provided by the special environmental exemption deals will flow to the domestic automobile industry, and this will achieve the policy goals of protecting and assisting the domestic automobile industry. Therefore, the special environmental exemption deals violate Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefiting the recipients”.

27.3 Specificity

Steel is a major raw material of the automobile industry. The special environmental exemption deals provided the domestic steel industry with huge subsidies, which enabled the subsidized steel producers to provide relatively cheap steel material for car manufacturing to the automobile enterprises, which indirectly benefits the domestic automobile industry. Therefore, the benefits passed on to U.S automobile industry as a result of the Steel Import Stabilization Act of 1984 fulfils the requirement of specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

28 Assistance to the U.S. Automobile Industry due to the 1984 Clean Coal Technology Program

In 1984, the U.S. Department of Energy formulated a Clean Coal Technology Program. This program provided subsidies to the construction and operation of the facilities so as to demonstrate the commercial feasibility of the potential of clean coal technology. This program is targeted specifically at coal users, especially the steel industry. The key characteristic of this program is that the benefits derived from the program will solely fall to the participating companies.¹²⁰ As mentioned previously, the automobile industry is a major user of steel and steel use in car manufacturing is considered hi-tech and the steel product used for manufacturing is highly valued-added. In recent years, with stricter requirements set in areas such as environmental protection with regards to steel use in car manufacturing, the Clean Coal Technology Program provided assistance to the U.S. steel industry in the R&D of clean energy, which in turn provided benefits to the U.S steel enterprise. Likewise, through the sale of low-cost steel products to the domestic automobile industry, the above-mentioned benefits will be passed on to the automobile industry, which violates the provision on subsidy stated in Article 3 of the *Anti-Subsidy Regulations*

¹²⁰Please see Appendix 8-28, Report on U.S. Government Subsidies to the U.S. Steel Industry, p2.

28.1 Financial Assistance

The automobile industry is a major industrial pillar of the United States, and supporting the development of the automobile industry is an important industrial policy of the United States. The R&D funding of the Clean Coal Technology Program is a direct financial assistance the government provides to the steel industry and directly involves funds being transferred from the government to the steel industry. These financial assistances are unconditional and the enterprises do not need to pay back the funds based on the results of the application research. In the end, the benefits of the assistance will be passed on to the automobile industry, which will be equivalent to the U.S. government providing financial support to the industry. Therefore, the Clean Coal Technology Program constitutes the definition of “Financial Assistance” as stated in Article 3 of the *Anti-Subsidy Regulations*.

28.2 Benefits

The benefits brought to the U.S. automobile industry that the R&D funding of the Clean Coal Technology Program is irrefutable. As a result of the R&D funding provided by the government, the steel industry can benefit from and do not need to pay any fees for the commercial use of this research. In the end, the steel enterprises can improve their production efficiency and product quality to strengthen their competitiveness. From 1985 to 1998, the Clean Coal Technology Program created US\$2.3 billion in benefits for the U.S. steel industry.¹²¹ As a result, the sale price of steel products by the steel enterprises, especially the price of technologically-enhanced and valued-added steel products, can be drastically reduced. Steel is a major component in car manufacturing costs, and therefore, this violates the provision of Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefitting the recipients”.

28.3 Specificity

As mentioned previously, the United States has, since long ago, has closely associated the automobile industry together with economic development, national security and politics, and made pro-automobile industrial policies as the foundation and starting point for the formulation of macroeconomic control or measures for the automobile industry.

Steel is a major raw material of the automobile industry and the U.S. Federal government, by providing huge subsidies to the domestic steel industry, has enabled the steel-producing enterprises to provide relatively cheap steel products to the automobile enterprises, which in turn indirectly benefited the domestic automobile industry. Therefore, the R&D subsidy of the Clean Coal Technology Program that flowed to the automobile industry constitutes the “specificity” as stipulated in

¹²¹Please see Appendix 8-28, Report on U.S. Government Subsidies to the U.S. Steel Industry, p2.

Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

29 United States’ “Cash for Clunkers” Program

Article 8 of the Supplemental Appropriations Act, 2009 is a Consumer Assistance to Recycle and Save Program (C.A.R.S).¹²² According to this Act, the U.S government will provide subsidies of US\$3,500 or US\$4,500 to consumers to encourage them to scrap their high energy-consuming old cars and buy U.S made energy-saving cars. The preliminary bill of this program proposed a government subsidy of US\$4 billion. This program had received an initial government grant of US\$1 billion. In early August, U.S. President Obama signed a decree that increased the funds for the “Cash for Clunkers” Program implemented on 1 July by another US\$2 billion. This Act provided stimulation to U.S car sales. The “Cash for Clunkers” Program, for the U.S. automobile industry, is a “lifeline”, and is a major component in the U.S. measures to promote economic recovery and allow the return of many people to work. The “Cash for Clunkers” Program is adopted by the U.S. Congress in June 2009. As of 20 August, car sales under the program have surpassed 457,000, and the cash subsidies for these car transactions will reach US\$1.91 billion.¹²³ The Applicant deems that the “Cash for Clunkers” Program the United States for consumers has violated the provision on subsidy as stated in Article 3 of the *Anti-Subsidy Regulations*.

29.1 Financial Assistance

The funding for this program came from the US\$787-billion economic stimulation plan of the Obama Administration. The subsidy of US\$4 billion for consumers to buy new cars is equivalent to providing financial support to the U.S. domestic automobile enterprises and automobile accessory producing enterprises. The Applicant deems that the above-mentioned form of subsidy violates the provision on financial assistance stipulated in the *Anti-Subsidy Regulations*.

29.2 Benefits

The benefits that the “Cash for Clunkers” Program has brought to the U.S. domestic automobile enterprises and automobile accessory producing enterprises are very clear. The program will greatly stimulate the sales in the U.S. automobile industry and achieve the aim of revitalizing the automobile industry.

The subsidy for consumers’ car purchase through the direct grant by the government can stimulate the sales in the U.S. automobile industry, and the U.S. automobile industry can benefit from this plan without paying any fees. This violates the

¹²²Please see Appendix 8-29: annex 1-CARS-Law

¹²³Please see Appendix 8-29: Government Provides Billions in Subsidies, U.S. “Case for Clunkers” Program is Terminated, <http://auto.ifeng.com/topic/jiuche/news/internationalindustry/20090825/89684.shtml>

provision of Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefitting the recipients”.

29.3 Specificity

The “Cash for Clunkers” Program is clearly aimed at the domestic automobile industry, and is considered as a “subsidy received by certain enterprises or industries explicitly provided for in laws and regulations of an exporting country (region)”, which constitutes the *Anti-Subsidy Regulations*.

30 Assistance to U.S. Automobile Industry through the Oil Subsidy

The U.S. House Select Committee on Energy Independence and Global Warming held an inquiry hearing at 12 noon on 1 April 2008 (Beijing time 12 midnight on 2 April) on the five biggest U.S. oil companies. The attendees of the hearing included top-level executives from Exxon Mobile, Shell, BP, Chevron and ConocoPhillips. Due to the rise of global oil prices and gasoline retail prices, the combined benefit of the five companies in 2007 reached US\$123 billion. But what the House representatives questioned in 2008 were issues that the oil giants could not avoid. Why did these companies continue to request that the Federal government allow them to enjoy tax reductions totaling US\$18 billion when they were making huge benefits?¹²⁴

More and more people realize that the gasoline used in transportation is “subsidized”— meaning that the gasoline prices paid by the consumers cannot reflect the comprehensive economic social costs. The real cost is hidden in numerous direct and indirect public subsidies, which include:

- Reduction of company revenue tax of the oil industry;
- Gasoline sales tax that is lower than the average level;

The government funding of programs that primarily benefit the oil industry and automobile industry;

“Hidden” environmental costs caused by automobiles, “hidden” as it includes air, water and noise pollution.¹²⁵

This hidden system of oil subsidies has created an energy policy by default—a policy that is actually the reverse of stated national priorities. The subsidies for the oil industry has further widened the dependence on foreign oil supplies and burdened the taxpayers with unacceptable costs to human health, the environment and economy. In the 1990s, oil imports equaled almost half of the U.S. oil consumption and half of the

¹²⁴ Please see Appendix 8-30: Select Committee Hearing Brings Top-Level Oil Execs to Capitol Hill
<http://www.api.org/>

¹²⁵ Please see Appendix 8-30: Subsidizing Big Oil (1995)

http://www.ucsusa.org/clean_vehicles/vehicle_impacts/cars_pickups_and_suvs/subsidizing-big-oil.html

trade deficit. Such a situation is likely to worsen with the oil refineries in the United States running at full capacity and when other less expensive oil are not able to enter into the United States. This de facto energy policy also hinders private investment in new, cleaner technologies, such as electric vehicles. In addition, hidden subsidies undermine the government programs of promoting fuel efficiency, alternative fuels and environmental protection.

Tax Benefits

The government directly subsidizes oil consumption through preferential treatment in tax codes. A multitude of federal corporate income tax credits and deductions results in an effective income tax rate of 11% for the oil industry, compared to the non-oil industry average of 18%. If the oil industry paid the industry-wide average tax rate (including oil) of 17%, they would have paid an additional US\$2 billion in 1991. At the state and local levels, sales taxes for general revenues on petroleum products are lower than the average sales tax rates, and consequently, the automobile industry pays less for general government services (Sales taxes are charges levied on users of petroleum products, such as highway fuel taxes, tolls, and fees earmarked for infrastructure and services). In addition, a report by the Alliance to Save Energy found that state and local governments taxed gasoline at about half the rate as other goods, that is approximately 3% compared to 6%. This resulted in an estimated US\$2.7 billion revenue loss from gasoline sales alone in 1991. When home, industry, and office petroleum products are included, the total state and local revenue loss comes up to \$4.1 billion.¹²⁶

Net Government Expenditures

The federal, state, and local governments provide a variety of oil- and transportation-related infrastructures and services. Some of these expenditures are financed through earmarked user fees, such as dedicated highway fuel taxes and vehicle registration fees. The net government expenditures are either direct or indirect subsidies. Direct subsidies include government-funded energy research and development. Indirect subsidies include the Strategic Petroleum Reserve, military expenditures related to the Persian Gulf, and police and fire protection related to highway use. Although "user fees" in the form of natural gas taxes, registration fees, and tolls pay for a portion of the infrastructural services, large government expenditures are still covered by general revenues. It is estimated that the net government expenditures at the federal, state and local levels are between US\$25 billion to US\$40 billion, and total subsidies of the oil industry and automobile industry would be much larger than this figure.¹²⁷

Based on a report by the Alliance to Save Energy, we estimated that the total

¹²⁶Please see Appendix 8-30: Subsidizing Big Oil (1995)

http://www.ucsusa.org/clean_vehicles/vehicle_impacts/cars_pickups_and_suvs/subsidizing-big-oil.html

¹²⁷ Ibid.

expenditures by federal agencies alone amounted to between US\$1.4 billion and US\$2 billion in 1990. This estimation did not include state and local government expenditures that directly benefit the oil industry and government expenditure on non-oil motor vehicle infrastructure and services. However, it includes federal expenditures for infrastructure and services related to the shipping of oil. The first two factors far outweigh the third. The five largest agency outlays were the Army Corps of Engineers Civil Program, the US Coast Guard, the Maritime Administration, the Strategic Petroleum Reserve and the Department of Energy. The first three outlays totaled about \$1 billion and subsidized the oil industry through infrastructure and services related to oil shipping. The Strategic Petroleum Reserve's existence is a direct result of our over-dependence on imported oil and is intended to reduce the impacts of a severe supply disruption. In the 1990s, it cost US\$320 to US\$400 million annually to maintain. Finally, during the 1990s, the Department of Energy spent over \$100 million on developing and improving oil production techniques.¹²⁸

Environmental Costs

The oil and automobile industries are responsible for enormous hidden environmental costs.

Delucchi (1995) estimates the total cost in 1991 of environmental externalities to be US\$54 billion to US\$232 billion, and human mortality and morbidity due to this is as high as US\$182 billion annually.¹²⁹

The impact to the automobile industry due to the huge subsidies provided by the U.S. government to the oil industry is self-evident. The huge oil subsidies benefit the U.S. oil industry and correspondingly, through providing low-cost gasoline, the above-mentioned benefit is passed on to the automobile industry. The Applicant deems that the oil subsidies passed on to the automobile industry violates the provision on subsidy as stated in Article 3 of the *Anti-Subsidy Regulations*.

30.1 Financial Assistance

The huge subsidies provided to the oil industry allowed the U.S. domestic oil industry to receive huge benefits, which greatly reduces its cost pressures. The above-mentioned benefits are passed on to the U.S. automobile industry, which is equivalent to the U.S government providing financial support to the automobile industry. This constitutes the definition of financial assistance as stipulated in Article 3 of the *Anti-Subsidy Regulations*

30.2 Benefits

¹²⁸ Ibid.

¹²⁹ Please see Appendix 8-30: Subsidizing Big Oil (1995)

http://www.ucsusa.org/clean_vehicles/vehicle_impacts/cars_pickups_and_suvs/subsidizing-big-oil.html

Cheap oil reduces the production cost of automobile enterprises and at the same time promotes motor vehicle sales. The Applicant deemed that the above-mentioned subsidies to the oil industry provided by the U.S government have clearly violated Chapter 2 Article 3 of the *Anti-Subsidy Regulations* by “benefitting the recipients”.

30.3 Specificity

As mentioned previously, the United States has, since long ago, closely associated the automobile industry together with economic development, national security and politics and made pro-automobile industrial policies as the foundation and starting point for the formulation of macroeconomic control or measures for the automobile industry

By providing huge subsidies to the domestic oil industry, the U.S. Federal government had allowed automobile industry to benefit indirectly. Therefore the oil subsidies passed on to the automobile industry constitutes specificity as stipulated in Chapter 2 Article 4 of the *Anti-Subsidy Regulations*.

31 Assistance to the U.S. Automobile Industry due to Subsidies Provided by the Various States to the Rubber Tire Industry

As early as 1991, the United States voted for the bill to recycle old used tires. For every old used tire recycled, the government will subsidize between US\$2.5 to US\$4.¹³⁰ According to the report by the U.S. Rubber Manufacturer Association, the United States’ recycle rate of old used tires has risen from 11% in 1990 to 90% in 2007¹³¹

Statistics showed that of the 50 states, 32 states provide grants and/or loans to tire disposal and recycling companies, and 19 states has incentive policies to develop the market. Of these, Massachusetts has set up a Recycling Loan Fund, the Vermont state government provides grants to stimulate the demands of recycled materials, New Jersey provides low-interest loans for the purchase of recycling facilities, Delaware provides tax incentives and low-interest loans, Kentucky set up a sales tax exemption system for recycling facilities, etc.¹³² In addition, Pennsylvania allocates US\$1 million from its 2007 state budget to especially deal with the problem of disposing old used tires.¹³³

31.1 Financial Assistance

¹³⁰ Please see Appendix 8-31, Recycling of Old Used Tires. <http://www.istis.sh.cn/list/list.aspx?id=1608>

¹³¹ Please see Appendix 8-31, U.S. Recycles 90% of Old Used Tires. <http://info.qipei.hc360.com/2009/07/091024124843.shtml>

¹³² Please see Appendix 8-31, https://www.rma.org/publications/scrap_tires/index.cfm?PublicationID=11121

¹³³ Please see Appendix 8-31, GOVERNMENT RELATIONS STATE ISSUES **Pennsylvania Takes Key Step Toward Increased Funding for Scrap Tire Cleanup.** http://www.rma.org/rma_resources/government_affairs/state_issues/

The tire is an important component of motor vehicles, so therefore subsidies provided to the rubber tire industry will without doubt allow the automobile industry to benefit indirectly. From the above-mentioned, one can see that the various U.S. state governments provide assistance to the local rubber industry in the form of fund allocations, funding, grants, tax incentives, low-interest loans, and tax breaks. These reduce the pressure of rising production costs on the side of the rubber tire industry, which allows the industry to provide relatively cheaper tires to the domestic automobile manufacturers. This is equivalent to providing funding to the domestic automobile industry, and therefore the Applicant deems that the subsidies at the various levels of the U.S. government provided to the rubber tire industry constitutes the financial assistance as stipulated in Article 3 of the *Anti-Subsidy Regulations*.

31.2 Benefits

By using all kinds of financial assistance to support the recycling of old used tires, the various U.S. state governments are in actual fact helping the consumers and tire producers to solve their worries and subsequently allowing the automobile manufacturers to benefit and develop faster. This clearly constitutes “benefitting the recipients” as stipulated in Chapter 2 Article 3 of the *Anti-Subsidy Regulations*.

31.3 Specificity

Only enterprises related to tires get to benefit from the above-mentioned funding, therefore these subsidies are “received by certain enterprises or industries explicitly specified by the government of an exporting country (region)” or “received by certain enterprises or industries provided for in laws and regulations of an exporting country (region)”, which meet the requirements of “specificity” as stipulated in the *Anti-Dumping Regulations*.

(II) Injury

1 Absolute Volume of the Product under Investigation or Production or Consumption Growth Relative to Domestic Similar Products (Provisions in Section 1 of Article 8 of the *PRC Anti-dumping Regulations*, and Section 2 of Article 8 of the *PRC Anti-subsidy Regulations*)

1.1 Import Volume and Value of the Product under Investigation in the Three Years Prior to the Submission of this Application

Table 11: Unit for volume: Vehicle Unit for value: USD

	Quantity	Value	Price	Growth Rate
2006	21,204	672,417,530	31,711	
2007	33,732	1,012,195,191	30,007	59.08%

2008	43,240	1,823,642,917	42,175	28.19%
Jan-Aug 2008	25,923	1,092,650,918	42,149	
Jan-Aug 2009	27,347	1245,546,643	45,546	5.49%

Note: Import ratio refers to the proportion of the product under investigation imported from the US in total import of like products in China

(Source: the General Administration of Customs, See Appendix 6: Statistics from the General Administration of Customs in PRC).

From the table above we can see: the import of the product under investigation from the US was on the rise, and it rose from 21,204 in 2006 to 33,732 in 2007, up 59.08%. However, the export ratio of the US in Jan-Aug 2009 even reached 18.14%, up 5.04 percentage points compared with 2006, indicating a continuous stable growth of export to China.

1.2 Total US Export to China and Its Proportion in China's Total Import

Table 12:

Unit for volume: vehicle

	US export volume to China	China's total import volume	Proportion of US export to China in China's total import
2006	21,204	161,890	13.10%
2007	33,732	234,493	14.39%
2008	43,240	299,132	14.46%
Jan-Aug 2008	25,923	208,153	12.45%
Jan-Aug 2009	27,347	150,784	18.14%

(Source: the General Administration of Customs, See Appendix 6: the General Administration of Customs in PRC).





From the table and figure above we can see that during the investigation period, US export of the product under investigation to China took more than 10% in China's total import of like products, and the overall tendency was growing. The import from the US grew 5.69% year-on-year in 2009. From this we can see that the product under investigation originating in the US not only grew rapidly in terms of absolute volume, but also took on an obviously faster growth rate.

Relative Change

1.3 Apparent Consumption Volume of Domestic Saloon Cars and Cross-country Cars (of a cylinder capacity $\geq 2000\text{cc}$)

Table 13:

Unit: Vehicle

	Import	Export	Domestic output	Apparent consumption volume
2006	21,204	7,584	1,050,332	1,063,952
2007	33,732	15,824	1,489,133	1,471,225
2008	43,240	19,439	1,949,167	1,925,366
Jan-Aug 2009	150,784	9,543	1,402,362	14,143,603

Data of total import and total export in "Statistics on Apparent Consumption Volume of Domestic Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$)" are statistics from the General Administration of Customs.

2 Possibility of Further Growth of US Export to China and Its Impacts

China has long been a big importer of sedans and CRVs in the world, and data shows that China's demand grew from about 1,063,952 vehicles in 2006 to 1,925,366 in 2008.

The US is a major producer of the product under investigation. However, on the one hand the decreased demand from downstream users in recent years has resulted into a very slow growth of the industry, and on the other hand, the auto industry was generally in a recession amid the crisis, but large foreign companies generally would rather cut prices significantly than reduce production in order to maintain the market share and normal operation of equipment, otherwise the losses will be bigger. Under such circumstances, when the domestic demand and import in the US was restricted, the original output will be transferred to the Chinese market.

The import of the product under investigation grew year by year, from 21,204 vehicles in 2006 to 33,732 in 2007, with a growth rate as high as 59.08%; and to 43,240 in 2008, with a growth rate of 28.19%. The rapid growth of the import volume of the product under investigation directly hinders the development of Chinese enterprises. As a result, Chinese enterprises suffer losses and serious drainage of clients. Moreover, due to the relatively poor performance, enterprises' R&D input is also restricted by the shortage of fund, and for the product under investigation with high technological added value, this forms a vicious cycle hindering enterprises' development. If no effective remedy measures are taken, the Chinese industry will be surely in danger in a few years.

Considering various factors mentioned above, with the advantage from the US government's subsidies to the auto industry, the US may increase unfair trading practice and raise its export to China through dumping so as to occupy the Chinese market. The Chinese industry of Saloon cars and Cross-country cars (of a cylinder capacity ≥ 2000 cc) will suffer more serious substantial injury.

3 Impacts from Subsidized Product under Investigation on Trade

Saloon cars and Cross-country cars (of a cylinder capacity ≥ 2000 cc) imported from the US benefit from the subsidies of countervailing measures in the US, making its import price much lower than its normal value in the domestic market. Such subsidies seriously impact the domestic trade. Import of such a subsidized product to China at an extremely low price twisted the Chinese domestic market and disturbed Chinese domestic normal trading order. In terms of volume, from 2006 to 2008, US export of the product under investigation to China grew from 21,204 vehicles in 2006 to 43,240 in 2008, up 104%. Such an explosion of volume damaged the normal trade and circulation of the Chinese market for Saloon cars and Cross-country cars (of a cylinder capacity ≥ 2000 cc), leading to a significant drop in sales volume of Chinese like products. In terms of price, from 2006 to 2008, the subsidized product under investigation from the US suppressed the price of China's domestic like products,

which broke the balance of China's normal trade, and deprived Chinese enterprises of trading opportunities in a disguised form.

In the short run, such unfair trading behavior will cause serious damages to Chinese producers of like products. In the long run, such a low price will damage China's domestic normal trading order. In this case, after competitive Chinese producers are forced out of the market due to this, once the product under investigation dominates the Chinese market, downstream users of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) have to accept monopolized prices. By then, the subsidized Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) will have bigger impacts on China's trade.

4 Impacts of the Price of the Investigated Product on the Price of Domestic Similar Products (Provisions in Section 2 in Article 8 of the *PRC Anti-dumping Regulations* and Section 3 in Article 8 of the *PRC Anti-subsidy Regulations*)

4.1 Price Cut of the Product under Investigation

Table 14:

Unit: USD

2006	Weighted average price	31,711
2007	Weighted average price	30,007
	Change	-5.37%
2008	Weighted average price	42,175
	Change	40.55%
Jan-Aug 2009	Weighted average price	45,546
	Change	8%

Note: The prices above are the General Administration of Customs' statistics on the weighted average prices of the dumped products accused. The formula is: Weighted Average Price = Total Import Value + Total Import Volume. (See Appendix 2: Proofs for Total Output of Domestic Like Products and Apparent Consumption Volume)

Remarks: From the table we can see that during the investigation period, the export price of the product under investigation to China took in a growth trend, as a result of the price hike of raw materials in the world market, but even under such circumstances, the US not only exported a lot of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) in terms of absolute or relative volume, but also maintained the prices at a relatively low level, trying to suppress the price growth of China's domestic like products.

4.2 Suppression of the Product under Investigation on Domestic Similar Products: Price Impacts of the Product under Investigation and Price Change of Domestic Products

Table 15:

Unit: USD/vehicle

	The petitioner's average price (Converted at average exchange rate of the year)	Weighted average price of US export to China
2006	<u>Confidential treatment</u>	31,711
2007		30,007
2008		42,175
Jan-Aug 2008		42,149
Jan-Aug 2009		45,546

Remarks: Dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US seriously affected Chinese manufacturers of like product, and they were forced to keep the same price despite the price hike of raw materials in the world market.

In 2006, the US export price of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) to China was averaged at USD31,711/vehicle, while the average selling price of the domestic like product industry represented by the petitioner was about USD [Confidential treatment]/vehicle; in 2007, the US average export price was USD30,007/vehicle, down 5.37%, while the average selling price of the domestic like product industry represented by the petitioner was USD [Confidential treatment]/vehicle, indicating the suppression from the price of the product imported from the US; in 2008, despite the price hike of raw materials in the world market, the US average export price was USD42,175/vehicle, and accordingly, the average selling price of the domestic like product industry represented by the petitioner was USD [Confidential treatment]/vehicle. That is because due to the low-price dumping from the US, despite the price hike of raw materials in the world market, the domestic like product industry represented by the petitioner had to curb its price growth. From this we can see that the low-price dumping from the US seriously impacted the selling price of China's domestic like products. Such impacts are reflected in material price suppression, which has relevance in terms of both practice and extent.

5 Impact from the Product under Investigation on Domestic Industry (Provisions in Section 3 in Article 8 of the *PRC Anti-dumping Regulations* and Section 4, 5 and 6 in Article 8 of the *PRC Anti-subsidy Regulations*)

5.1 Change in Production Capacity of Like Products from Domestic Industry

Table 16:

Unit: Vehicle

	2006	2007	2008	Jan-Sep 2008	Jan-Sep 2009

Production capacity	[Confidential treatment]
Annual change	

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

During the investigation period, the production capacity of the domestic like product industry represented by the petitioner dropped from [Confidential treatment] in 2007 to [Confidential treatment] in 2008. Compared with the same period last year, the growth rate in Jan-Sep 2009 was [Confidential treatment]. On the one hand, since the domestic like product industry represented by the petitioner increased equipment input and improved productivity, the production capacity improved much; on the other, due to the increasing domestic demand, the domestic like product industry represented by the petitioner also saw the rising of its production capacity accordingly. Compared with a year before, the growth rate in 2008 was [Confidential treatment], and the absolute volume only increased [Confidential treatment] vehicles. Looking on the domestic demand in these years, due to the boom of the domestic market and the boost from economic stimulus policies, the Chinese industry of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) saw an ever-growing demand. In contrast with the increased domestic demand, since 2008, the domestic like product industry represented by the petitioner had insufficient production growth due to under-capacity operation.

5.2 Change in Output of Like Products from Domestic Industry

Table 17:

Unit: Vehicle

	2006	2007	2008	Jan-Sep 2008	Jan-Sep 2009
Output	[Confidential treatment]				

Change	
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(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

In recent years, when the domestic like product industry represented by the petitioner started normal operation after years of testing and maintained full-capacity, low-consumption, high-quality and long-cycle stable operations, the product under investigation from the US flooded into the Chinese market at low prices through unfair trading patterns, suppressing the price of the domestic like product industry represented by the petitioner and seriously hindering the normal development of the domestic industry. From the above table we can see that the domestic like product industry represented by the petitioner had a total output of [Confidential treatment] in 2006, and [Confidential treatment] in 2007. In 2008, however, with the increase of domestic market demands, the growth rate was [Confidential treatment] year-on-year. This was in stark contrast with the change in domestic demands. Despite favorable domestic policies and ever-growing domestic market, the output growth slowed down evidently. From this we can see that the low-price dumping of the product under investigation from the US slowed down the uptrend of the domestic industry's output, and is even expected to cause a downtrend in 2010.

5.3 Change in Sales Volume of Like Products from Domestic Industry

Table 18:

Unit: Vehicle

	2006	2007	2008	Jan-Sep 2008	Jan-Sep 2009
Sales volume	[Confidential treatment]				
Change					

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

From the table we can see that low-price dumping of Saloon cars and Cross-country

cars (of a cylinder capacity \geq 2000cc) from the US seriously affected the sales of domestic manufacturers, making product sales of the domestic like product industry represented by the petitioner more and more difficult.

Based on the above analysis on the domestic industry and comparison of quality level between domestic similar products and products accused of dumping, despite short supply of domestic Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc), the domestic industry faced more serious difficulty in sale, which goes against the market rules. Such a phenomenon was mainly a result of unfair trading by the aforesaid country in the Chinese market. If we let alone the aforesaid country to continue such practice, the already established industry in China will suffer an increasingly difficult situation and may collapse anytime.

Change in Sales-production Ratio of Like Products from Domestic Industry

Domestic Manufacturers' Sales-production Ratio

Table 19: Unit for Volume: vehicle

		2006	2007	2008	Jan-Sep 2008	Jan-Sep 2009
Total	Production	<u>[Confidential treatment]</u>				
	Sales					
	Sales-production ratio					

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Note: 1. Sales-production ratio = Sales/Production

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

The low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US seriously affected the domestic industry's sales-production ratio. Specifically, the domestic like product industry represented by the petitioner sales-production ratio was [Confidential treatment] in 2006, and [Confidential treatment] in 2007, while in 2008, it became [Confidential treatment]

and even dropped to [Confidential treatment] in Jan-Sep 2009. Currently, when foreign manufacturers increased output and sales, the domestic like product industry represented by the petitioner did not see the rising of its sales-production ratio accordingly. This shows that due to low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) originating in the US, domestic manufacturers of the like products face an increasingly difficult situation.

5.4 Change in Sales Revenue of Like Products from Domestic Industry

Table 20:

Unit: RMB10,000

		2006	2007	2008	Jan-Sep 2008	Jan-Sep 2009
Total	Sales revenue	[Confidential treatment]				
	Change					

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

From the above table we can see that low-price dumping of the product under investigation from the US seriously affected domestic manufacturers' sales. The domestic like product industry represented by the petitioner had a sales revenue of [Confidential treatment] in 2006, and [Confidential treatment] in 2007, a year-on-year change of [Confidential treatment]. In 2008, the sales revenue was [Confidential treatment], with a year-on-year change of [Confidential treatment]. This shows that domestic manufacturers face a grim situation in product sales due to low-price dumping of the product under investigation originating in the US.

5.5 Change in Market Share of Like Products from Domestic Industry

Statistics on Apparent Consumption Volume of Domestic Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc)

Table 21:

Unit: Vehicle

	Domestic total output	Domestic total import	Domestic total export	Domestic apparent consumption volume	Change of apparent consumption volume
2006	[Confidential treatment]				
2007					

2008	
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The petitioner requests not to publish this figure before initiation of the investigation

Statistics on Domestic Industry’s Market Share:

Table 22:

Unit: Vehicle

2006	Sales volume	[Confidential treatment]
	Domestic apparent consumption volume	
	Market share	
2007	Sales volume	
	Domestic apparent consumption volume	
	Market share	
2008	Sales volume	
	Domestic apparent consumption volume	
	Market share	
Jan-Sep 2009	Sales volume	
	Domestic apparent consumption volume	
	Market share	

1. Data of total import and total export in “Statistics on Domestic Apparent Consumption Volume” are from the General Administration of Customs.

2. Domestic Apparent Consumption Volume = Domestic Total Output + Total Import - Total Export

3. Market Share = Sales Volume/Domestic Apparent Consumption Volume

Remarks:

From the table above we can see that, from 2006 to 2008, domestic demand for

Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) grew year by year, and the year-on-year growth was [Confidential treatment] in 2007, and [Confidential treatment] in 2008. That is to say in 2008, domestic demand for Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) grew [Confidential treatment] compared with 2006. Amid the robust market demand, the domestic like product industry represented by the petitioner invested heavily in R&D and purchase of new equipment in an effort to improve the domestic industry’s production capacity so as to better meet market demands. However, producers in the country accused kept seizing the domestic market share through low-price dumping. Chinese enterprises worked hard to improve their survival ability by enhancing internal management, exploring potential to increase output and reduce consumption; tried every means to maintain the supply-demand relations with downstream users through collaboration in the same industry; and endeavored to maintain price to fight for market with the product under investigation amid price hikes of raw materials in the world market, but they have already exhausted their strength. The domestic like products represented by the petitioner had a market share of [Confidential treatment] in 2006, while the market share dwindled to [Confidential treatment] in 2008. This indicates the huge impact from imported products from the domestic industry. If we let alone such unfair trading of US products in the Chinese market, the Chinese market for Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) will be controlled by the product under investigation abroad due to inabilities to overcome the impacts.

5.6 Change in Inventory of Like Products from the Domestic Industry

Table 23:

Unit: Vehicle

	Inventory	Change
2006	[Confidential treatment]	
2007		
2008		
Jan-Sep 2008		
Jan-Sep 2009		

Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

From the figure above we can see that the unfair trading of the US Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) has led to piling up of inventories in the domestic like product industry represented by the petitioner. The industry’s inventories were [Confidential treatment] in 2006, and [Confidential treatment] in 2007, but the total inventories rose sharply by [Confidential treatment] in 2008, with

a year-on-year growth of as much as [Confidential treatment]. The sharp increase of inventories during the period was on the one hand due to the rapid growth of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) imported from the US, and on the other hand because prices for products imported from the US had a relatively small change and they kept suppressing the price of domestic like products despite soaring prices of raw materials to maintain the price gap of about [Confidential treatment]. This shows that low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) from the US seriously hindered normal sales of the domestic like product industry represented by the petitioner, leading to piling up of much inventory.

5.7 Change in Operating Rate of Like Products from Domestic Industry

Table 24:

Unit: Vehicle

	Annual output	Annual average actual production capacity	Operating rate (%)	Change
2006	[Confidential treatment]			
2007				
2008				
Jan-Sep 2009				

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Note: Operating Rate = Annual Output/Annual Average Actual Production Capacity * 100%

Operating Rate in Jan-Sep 2009 = Sum of Monthly Average Operating Rate/9

Annual Average Actual Production Capacity = (Actual Production Capacity at Beginning of Year + Actual Production Capacity at Year End)/2

Remarks:

In recent years, the domestic like product industry represented by the petitioner kept improving process and inputting new production equipment, while restructuring production equipment according to the market condition of short supply, so as to continuously expand production capacity. However, due to low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) imported from the US, sales of the domestic like product industry represented by the petitioner faced a serious difficulty—the more the industry sold, the big losses it suffered.

5.8 Change in Prices of Like Products from Domestic Industry

Table 25:

Unit: RMB/vehicle

	Weighted average selling price	Change
2006	[Confidential treatment]	
2007		
2008		
Jan-Sep 2008		
Jan-Sep 2009		

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

From the trend of changes in the domestic industry's weighted average price as shown in the table above we can see that the low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) from the US seriously affected sales of the domestic like product industry represented by the petitioner, amid price hikes of raw materials in the world market, the domestic like product industry represented by the petitioner had to try their best to maintain price stability. As a result of the unfair trading practice of the aforesaid country, the domestic like product industry represented by the petitioner had to cut prices to maintain their market share, and the dumping of low-price products from the aforesaid country forced the domestic like product industry represented by the petitioner to keep the selling price at a relatively low level for a long time.

5.9 Change in Profits of Like Products from the Domestic Industry

Table 26: Statistics on Pre-tax Profits of the Petitioner's Similar Products Unit: RMB

	Pre-tax profits	Change
2006	[Confidential treatment]	
2007		
2008		
Jan-Sep 2008		
Jan-Sep 2009		

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

Due to impacts of low-price products from abroad, domestic Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) manufacturers were forced to cut product selling price. Therefore, if the current situation of domestic Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) does not improve, the domestic industry will see a negative growth. The domestic industry may even be squeezed out of the market under the impacts of low-price dumping by the aforesaid country. Meanwhile, if the years of R&D and input equipment by the domestic like product industry represented by the petitioner is unable to turn into due profits, it will significantly hinder the overall development of the petitioner's enterprise and cause disastrous results to the development of the Chinese auto industry.

5.10 Change in Return on Investment of Like Products from Domestic Industry

Table 27:

Unit: (RMB) 10,000

	Average investment value	Pre-tax profits	Return on investment
2006	[Confidential treatment]		
2007			
2008			
Jan-Sep 2008			
Total in Jan-Sep 2009			

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Return on Investment = Pre-tax Profits/Average Investment Value

Remarks:

The growth slowdown of pre-tax profits of the domestic like product industry represented by the petitioner in 2008 led to a lower return on investment. This shows that low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US has seriously affected productions and operations of the domestic like product industry represented by the petitioner.

5.11 Change in Employed Population of Like Products from Domestic Industry

Table 28:

Unit: Person

	Employed population	Change in employment
2006	[Confidential treatment]	
2007		
2008		
Jan-Sep 2009		

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

The petitioner requests not to publish this figure before initiation of the investigation

Remarks:

Though the auto industry's market conditions improved somewhat due to the country's economic stimulus policy, employment situation did not change accordingly. From the table above we can see that the change in the employed population is not evident. This shows that low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US had serious impacts on the domestic like product industry represented by the petitioner.

5.12 Change in Wages of Like Products from Domestic Industry

Table 29:

Unit: RMB

	Total wages (RMB)	Average wage (RMB/person)
2006	[Confidential treatment]	[Confidential treatment]
2007		
2008		
Jan-Sep 2008		
Jan-Sep 2009		

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Remarks:

In recent years, domestic market demand for Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) kept increasing stably, and production capacity of the domestic like product industry represented by the petitioner saw some improvement. The per-capita income of the domestic like product industry represented by the petitioner seemingly increased somewhat during the investigation period, but in fact the fluctuations of per-capita pay was because the companies achieved relatively good results from 2007 to 2008. However, actually, income for production staff of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) in 2008 dropped [Confidential treatment] compared with 2007. It is obvious that low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US greatly restricted the pay level to employees in the domestic like product industry represented by the petitioner Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc).

5.13 Change in Productivity of Like Products from Domestic Industry

Table 30: Unit for Output: Vehicle Unit for Employees: Person

	Annual output	Total employees	Productivity	Change
2006	[Confidential treatment]			
2007				
2008				
Jan-Sep 2008				
Jan-Sep 2009				

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Productivity = Annual Output/Total Employees

Remarks: From 2006, due to low-price dumping of Saloon cars and Cross-country cars (of a cylinder capacity≥2000cc) from the US, during the period from 2006 to 2008, the domestic like product industry represented by the petitioner had a higher annual output due to the rising domestic demand, but the domestic like product industry represented by the petitioner did not see a big change in productivity. This means that amid price hikes of raw materials and rapid rise of domestic demand, the US unfair trading practice of Saloon cars and Cross-country cars (of a cylinder capacity≥2000cc) made it hard for the domestic like product industry represented by the petitioner to improve its productivity accordingly.

5.14 Change in Cash Flow of Like Products from Domestic Industry

Table 31: Unit: (RMB) 10,000

	2006	2007	2008	Jan-Mar 2008	Jan-Mar 2009
Net cash flow	[Confidential treatment]				
Change					

(Source: Appendix 9: Statistics on Indicators of Injury to the Petitioner)

Remarks:

Low-price dumping of imported products seriously hindered sales of the domestic like product industry represented by the petitioner, and then affected cash flow of the industry.

(II) The Degree and Type of Damage

1 Substantial Damage

From the analysis above, the unfair business activities of the United States made the Chinese domestic congener products represented by the applicant, go towards the bad trend and suffered great substantial damage, which included the products' outputs, sale, incomes of the sale, market share, stockpile, rates of working, price, profits and etc. In addition, along with the development of the domestic economy, the average income of Chinese people are constantly increasing, the highways are constantly developing, and the package of the auto facilities are constantly consummating, so the demand to the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is increasing too. With the influence of the market competition, the industry and the technologies of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) are constantly developing. In the circumstance of fair trade, the competitive capability against the overseas producers is constantly strengthening. However, due to the impacting of the mass of the low price investigated productions, the survival and development of the domestic producers are serious threatened and blocked, and the profits toboggan greatly. If the measures of the antidumping and anti-subsidy are not adopted in due course, the domestic industry is facing very dangerous circumstance.

2 Threats of the Substantial Damage

From the arguments above, the unfair business activities of the involved United States corporations already form the substantial damage to our industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). In the worse circumstance, the United States is the important production and export nation in the cars and SUVs industry of the 2.0L and above in the world. The United States industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) takes mass of subsidy and this kind of national activity form more serious harm, making the survival and development of Chinese domestic producers facing serious threat.

Accordingly, the total number of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) of the U.S. exported to China grew from 21204 in 2006 to 43240 in 2008. But the total domestic demand of the U.S. is shrinking due to the subprime crisis and the shrink of the domestic demand.

In recent years, the world's main economic bodies mount up slowly since the influence of the United States Mortgage loan crisis and the rising price of the raw and processed materials, such as the energy and steel. The total sales in the United States and EU industries of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) descend. Due to Chinese domestic market of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) from the United States and EU

industries are already in saturation, the development of Chinese industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is slowly, causing the concussion to the business of the United States industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). The balance in supply and demand of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) has been broken in worldwide, and the circumstance which supply exceeds demand appears in the above-mentioned developed countries.

As for the materials in the worldwide market, the price of iron ore soared in the international market in 2008, but the United States set foot in the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) very early, and its advantage in cost control is obvious. As for the manufacturing technologies, compared with foreign production technologies, domestic manufacturing technologies are mature, and the technology is developing toward functional products, and compared with foreign enterprises, domestic enterprises have the same competitiveness. Therefore, the domestic production of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is more subject to the price of the like products of foreign enterprises.

As for the United States, on one hand, according to the applicant's understanding, in recent years, the sales in the North America Area of the three magnates of the United States automobile industry, General Motors, Ford, Chrysler, are continuously descending to the bad. Therefore, the reducing demand in the US domestic market forced the three US magnates to turn to overseas markets. And the development of the Chinese market is rapidly, the requirements to the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is continuously increasing. Under the circumstance, the United States auto producers naturally chosen the Chinese market as an effective approach to address their production capacity. In addition, the falling of the United States economy resulted from the subprime crisis largely affect the sale of the U.S. like products in the market. Therefore, the United States pays more attention to the Asia, especially the Chinese market with huge demand for the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). The serious surplus in the market is undoubtedly not only the substantial base for the United States to dump the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) to the Chinese market at low prices, but also the powerful evidence that the U.S. low-price export has further caused damage and threat to the Chinese industry manufacturing like products.

At the same time, with the subsidy provided by a lot of domestic subsidy programs, the United States automobile producers could export a number of autos to China at very low prices. These subsidy programs have a long history, which involve every aspect of the production of the United States auto enterprises, and have comprehensive and large influence. With the help of these subsidy projects, the United States automobile producers, especially the producers of the Saloon cars and

Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) being charged, have been engaged in unfair trading and impacted the Chinese industry with low-price products. And the existence and maintenance of the subsidy projects is the powerful evidence that the United States can impact the Chinese similar industry with low-priced products and further cause damage and threat to the Chinese industry.

Moreover, the number of the United States export automobiles to China has been increasing in long term. The total number of the United States export automobiles of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) to China grew 104% from 21204 in 2006 to 43240 in 2008. Correspondingly, with the rocketing price of the raw materials in the international market, the price of the United States products of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) increased only 8% in the past three quarters of 2009 compared with the same period in last year. At such a speed, and especially when the price of the investigated nations' Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) exported to China generally remained unchanged while the price of raw materials doubled, the possibility of the substantial damage to the Chinese Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is imaginable.

(III) Causal Link between the Dumping & Subsidy and the Damage

The low-priced dumping of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) and the substantive subsidy from the United States to the US producers are the most important causations of the substantial damage to the Chinese industry represented by the applicant.

1 Volume of Import

From 2006 to 2008, the number of the subsidized Subject Product of the United States exported to China grew 104% from 21204 in 2006 to 43240 in 2008. The export volume of the above-mentioned country not only increases steadily, but also accounts for a great share of the total import number of the Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). It greatly impacts the Chinese industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), seriously affects the development of Chinese industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$).

2 Influence of the Price

The unfair business activities of the United States industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) has seriously impacted the sale of the Chinese industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), and forced them to maintain product prices while the price of raw materials is soaring.

The average price of the Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) exported by the above-mentioned country to China was USD31711 per vehicle in 2006, whereas the average price of Chinese Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) was Classified USD per vehicle in 2006. The average export price of the above-mentioned country was USD30007 per vehicle in 2007, 5% down compared with the previous year, whereas the average price of the Chinese industry represented by the applicant was USD Classified per vehicle in 2007, still being restrained by the price of the imported product of the above-mentioned country; due to the rising price of the raw materials in the international market in 2008, The average export price of the above-mentioned country was USD42175 per vehicle, 41% up, whereas the average price of the Chinese industry represented by the applicant was USD Classified per vehicle. Under the impact of the low-priced dumping by the above-mentioned country, the Chinese industry represented by the applicant have to maintain the price even when the price of the raw materials soaring. Therefore, the impact of the low-priced dumping of the U.S. has a great influence on the sale price of the like products of the Chinese industry represented by the applicant. The influence is represented by the descending price, which is essentially the price suppression, and the price suppression is relevant in both practice and range.

3 Other Factors

The applicant believes that the following factors should be exempted from the factors leading the domestic industry of the Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) to suffer the substantial damage:

3.1 Import Products from Other Countries

According to the statistic data from the Chinese Customs, the import numbers of other nations' Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) disperse, and the prices of other nations are close to the price of the domestic market. And the applicant doesn't find that the products imported from other countries and regions form dumping to China. So the Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) imported from other countries and regions do not lead to the substantial damage to the domestic industry.

3.2 Domestic Demand

In recent years, due to the development of the domestic economy, the increase of the lower requirement and etc, the demand for the Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) continuous rises and the domestic market is in the circumstance which demand exceeds supply. The total number of the Chinese domestic market for the Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) is 1,063,952 in 2006, 11,471,225 in 2007 and 1,925,366 in 2008. The

requirement of the domestic market continuously rises. In the normal circumstance, the profits of the domestic congener industry represented by the applicant are supposed to be very well. but because of the unfair business activities of the overseas products, the domestic congener industry suffers the serious substantial damage. The cause and consequence is very clear. Thereby, it is impossible that the damage to the domestic congener industry is caused by the shrink of the domestic market.

3.3 Pattern of the Consumption

Generally speaking, there is no other substitute to the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) at present. It is impossible that some substitutes coming up leads to the shrink of the domestic market of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$).

3.4 Normal Competition at Home and Abroad

Based on the introducing and absorbing the overseas advanced technologies, the Chinese congener industry represented by the applicant continually improves technologies, insists on the developing way of quality and benefit, never loosen the quality promises to the customers all the time, and improve the quality of products by strict quality management. The outputs produced by the Chinese congener industry represented by the applicant pass the overseas inspection, measuring up with the international common standard and national standard. The Chinese domestic products are basically the same as the Subject Product in function, quality and after-sale service. The truth is that if the United States Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) compete fairly with Chinese congener industry represented by the applicant, the congener industry represented by the applicant could not suffer such serious damage.

3.5 Commercial Circulation Channel

With the deepening Reform and Opening-up and the constantly improving the system of market economy, the current Chinese domestic price system of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) is totally based on the market. The production of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) of the Chinese congener industry represented by the applicant is totally subject to the adjustment by the market rules, never under the control of the national orders.

3.6 Force Majeure

The Chinese domestic industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) have not suffered the influence of the natural disasters and other elements of force majeure, and the product equipments is in normal

situation.

4 Conclusion

Base on the positive and negative analysis, the applicant believes that the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) produced in United States has been increased to export to Chinese since 2006. With the high price of the raw and proceed materials, the above-mentioned country actively maintains the export price of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). The essence of the activities is to covertly descend the price of the Subject Product, and restrain the price of the Chinese congener products, actively supplant the Chinese domestic producers of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). All these activities above make the domestic enterprises represented by the applicant embarrassment. Thereby, the applicant believes that the unfair business activities of the investigated products have direct consequence to the current substantial damage suffered by the domestic industry.

V Public Interests Considerations

(I) The Relationship with Upstream Enterprises

The main materials of the production of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) include the hot rolling steel plate, the cool rolling steel plate and many other producers of the auto parts. The hot rolling steel plate and the cool rolling steel plate, which are the direct materials to produce the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), are purchased directly by producers depending on the market. And the most of the auto parts are also purchased in the market. With the outspread of the antidumping and anti-subsidy, the fair market circumstance will gradually come back for the producers of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), and the situation of the sale of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) will straighten up, and the requirement to the upper will increase. From the developing history of the domestic congener industry, the long term development of the auto part production can't achieve without the support and drive of indigenou entire car industry. Thereby, the producers of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) have close relations with upstream enterprises.

(II) The Relationship with Downstream Consumers

The lower consumers of the producers of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) represented by the applicant are concentrated on the end consumption market. Thereby, the change of the price of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) has great influence on the purchase of downstream end users.

For the downstream end consumers of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$), the antidumping and anti-subsidy lead to the increase of the investigated product's price and the cost of the purchase. For one hand, many final consumers, who are impacted by the nations under charge and lured by the low price, purchased the imported Subject Product, instead of purchasing the domestic products, having no idea about the domestic products. On the other hand, the more important is that misguide of the cost price year by year lead to the wrong acknowledge of the consumers. The foreign products bring up the final consumers' loyalty to the name brands by utilizing the cost advantage to achieve misguide of the price. At that time, the entire domestic congener industry can not take the domestic market, even if the domestic industry could survive from the besiegement of the dumping products which take the low price and subsidy of the nations under charge. At last, it will result in the shrink of the domestic congener products. At that time, the consumers can't purchase the domestic products, just being exploited. Thereby, for the long term, to bring an accusation against the investigated products for the antidumping and anti-subsidy is not only to protect the interests of the domestic congener industry represented by the applicant, but also ensure the downstream end consumers' final benefits.

Dumping and subsidy greatly destroy the proper market orders. The antidumping and anti-subsidy is to correct the unfair business activities of overseas products and eliminate the influence of the damage of the unfair business activities to Chinese industry of the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). The purpose to take measures of the antidumping and anti-subsidy is to restrict the nonstandard activities which break the proper market orders, standardize the orders of commerce, furbish and accelerate the fair competition. The antidumping and anti-subsidy is aimed to dump products by the price discrimination, neither rejecting the proper foreign trade, nor forming the block to the proper import. Under the normal market orders, no legal producer could be harmed, so the antidumping and anti-subsidy will not bring adverse elements to the Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$). And only the normal conditions of the market competition could lead to the healthy development of the domestic economy.

The purpose to take measures of the antidumping and anti-subsidy is to take the price of the import products at normal level, not to add some proportional tax of the antidumping and anti-subsidy to the normal price level. Thus, this kind of the increase of the price is the representation which means the price of the investigated products gradually turns to show the normal value, without essential influence on downstream enterprises.

The real motivation of the dumping and subsidy is not to provide the most at the best price, but to snatch the Chinese market with unfair illegal ploys and gain huge profits. Although the downstream industries or consumers can purchase the low price and

profit for a while, they will pay heavy price at last. This is the right concealment of the harm. Some Chinese consumers only mind the loss of the rising price caused by the investigation to the antidumping and anti-subsidy, not recognize the more loss which the investigated products could lead to. Once the domestic Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) are forced to quit the market due to the investigated products, the overseas exporters who take the Chinese market would never provide the most at the best price to the Chinese consumers, and the loss of the downstream consumption enterprises will be far more than the loss caused by the antidumping.

The applicant believes that the measures of the antidumping and anti-subsidy are not to protect the underdevelopment, whereas to provide a fair competitive environment. The purpose to take the measures of the antidumping and anti-subsidy is to provide the Chinese domestic industry suffering the damage caused by the unfair business activities an opportunity to fairly compete and develop, further strengthen the rivalries ability under the condition of fair competition circumstance, and provide the most at the best price according to the downstream consumers' various requirements. So, only the well-ordered and fair market could offer a fair, logical price, and the upper products could gain the most profits based on the normal competition, and the consumers could gain the real boon. Thus, for the long term, the downstream consumers of the investigated products have the same benefit with Chinese indigenous producers, and the measures of the antidumping and anti-subsidy will have final effect to protect the upstream and downstream consumers.

VI Conclusion and Request

(I) Conclusion

1 Dumping and Its damage

According to the facts and reasons above, it can be concluded that the export prices of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) from the US are less than normal value. From September 2008 to August 2009, the dumping margin of US Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) was 21.48%. This does not only bring substantial damage to domestic like product industry represented by the applicant, but may further the damage due to the great production capability and export capability of the US.

2 Subsidy and Its damage

According to the facts and reasons in Section 4 of Part 1 of the Application, it can be concluded that the export prices of Saloon cars and Cross-country cars (of a cylinder capacity $\geq 2000\text{cc}$) who receives US government subsidy are less than normal value. This kind of subsidy does not only bring substantial damage to domestic like product

industry represented by the applicant, but may further the damage due to various subsidy items of the US government which will continue for a long time.

(II) Request

In order to protect the legitimate rights and interests of domestic like product industry represented by the applicant, as well as the future of the whole domestic industry of Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc), according to the *PRC Foreign Trade Law*, *PRC Anti-dumping Regulations* and *PRC Anti-Subsidy Regulations*, the applicant hereby requests:

1 Anti-dumping Investigation

Ministry of Commerce of the People's Republic of China carries on anti-dumping investigation to Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) originated in the US, and suggests Tariff Commission of the State Council to levy anti-dumping duties to Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) that the US exports to China.

Table 32:

Country of origin	Suggested anti-dumping tax rate
US	21.48%

2 Anti-subsidy Investigation

The applicant hereby requests the Ministry of Commerce to carry on anti-subsidy investigation on Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) from the US, and levy anti-subsidy tax under the law.

Part II: Security Application

I Security Application

According to Article 22 of the *PRC Anti-dumping Regulations*, the applicant requests that the following materials in Part 1 should be treated secretly, i.e. except the investigation authority of this case and departments prescribed in the *PRC Anti-dumping Regulations* have the right to examine and inquire, this part of material shall be kept as secret in any way, e.g. prohibiting any contact, consultation, file retrieval or query for any materials of this application's non-disclosure part in any way.

Security application includes and points to the following materials:

(I) Text of Part 1 of the Application

Change in production capacity of like products from domestic industry
Change in output of like products from domestic industry
Change in sales volume of like products from domestic industry
Change in sales-production ratio of like products from domestic industry
Change in sales revenue of like products from domestic industry
Change in market share of like products from domestic industry
Change in inventory of like products from domestic industry
Change in operating rate of like products from domestic industry
Change in prices of like products from domestic industry
Change in profits of like products from domestic industry
Change in return on investment of like products from domestic industry
Change in employed population of like products from domestic industry
Change in wages of like products from domestic industry
Change in productivity of like products from domestic industry
Change in cash flow of like products from domestic industry
Content with □□ in open parts of the application.

(II) Appendices of the Application

II Non-privacy Summary

In order to make interested parties of this case know comprehensive information about the applicant's application for secret materials, the applicant hereby makes the application and open part of appendices. The appendices and materials for security application have relevant description or non-privacy summary in the open part of the application.

Part III: Evidence Catalog and List

Appendix 1: The Applicant's Business License and Related Documents

Appendix 2: Apparent Consumption Evidence of Chinese Saloon Cars and Cross-country Cars (of a cylinder capacity \geq 2000cc)□□

Appendix 3: Power of Attorney

Appendix 4: Lawyer Assignments and Lawyer Practicing Certificates

Appendix 5: Customs Tariff of the People's Republic of China

Appendix 6: Statistics from the General Administration of Customs of PRC

Appendix 7: Proof of Ocean Freight, Proof of Proportion of Freight and Insurance Premium to Sales Price□□

Appendix 8: Evidence Materials of the US Government Anti-subsidy Item

1. Appendix 8-1, evidence of subsidy benefits from <i>Energy and Water Development Appropriations Act</i> for US auto industry
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2. Appendix 8-2, evidence of US Automotive Industry Financing Program
3. Appendix 8-3, evidence of funds for fuel-efficient vehicles
4. Appendix 8-4, evidence of subsidy program to US electric vehicles
5. Appendix 8-5, evidence of subsidy to ATVM
6. Appendix 8-6, evidence of US auto restructuring and rescue package
7. Appendix 8-7, evidence of subsidy program for new-energy vehicles
8. Appendix 8-8, evidence of other subsidies for US auto industry from US Department of Energy
9. Appendix 8-9, evidence of support program for auto parts suppliers
10. Appendix 8-10, evidence of subsidy benefits from pension guaranty program for US auto industry
11. Appendix 8-11, evidence of subsidy benefits from <i>Prescription Drug, Improvement, and Modernization Act</i>
12. Appendix 8-12, evidence of subsidy to US auto industry from US Export-Import Bank's export credit project
13. Appendix 8-13, evidence of subsidy to US auto industry from government procurement vehicles project of new energy autos
14. Appendix 8-14, evidence of subsidy profit to US auto industry from <i>Buy American Act</i>
15. Appendix 8-15, evidence of <i>Terms for Procuring American Vehicles</i>
16. Appendix 8-16, evidence of financial assistance from <i>Economic Recovery Tax Act of 1981</i>
17. Appendix 8-17, evidence of financial assistance from <i>Tax Reform Act of 1986</i>
18. Appendix 8-18, evidence of financial assistance item of tax incentive plan that Michigan provided to GM
19. Appendix 8-19, evidence of tax preference that Michigan provided to Chrysler
20. Appendix 8-20, evidence of financial assistance item of tax incentive plan that Michigan provided to Ford
21. Appendix 8-21, evidence of tax remission for hybrid vehicles
22. Appendix 8-22, evidence of tax credit for fuel cell vehicles
23. Appendix 8-23, evidence of consumers' energy tax incentive program
24. Appendix 8-24, evidence of US export tax remission program
25. Appendix 8-25, evidence of financial assistance to Chrysler from Michigan and UAW
26. Appendix 8-26, evidence of subsidy benefits from <i>Iron and Steel Import Limit Act of 1984</i> to US auto industry
27. Appendix 8-27, evidence of subsidy benefits from special environmental protection exemption program to US auto industry
28. Appendix 8-28, evidence of financial assistance from clean coal technology plan of 1984 to US auto industry
29. Appendix 8-29, evidence of US Cash for Clunkers
30. Appendix 8-30, evidence of financial assistance from oil subsidy to US auto industry

31. Appendix 8-31, evidence of financial assistance from subsidy to rubber tire industry from states of America to US auto industry

Appendix 9: Statistics on Indicators of Injury to the Applicant □ □

Confirmation

As the universal agent of anti-dumping investigation and anti-subsidy investigation to Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc) originated in the US, we have already reviewed all the aforementioned anti-dumping investigation and anti-subsidy investigation applications, and signed this anti-dumping investigation and anti-subsidy investigation application on behalf of domestic Saloon cars and Cross-country cars (of a cylinder capacity \geq 2000cc). Applicants reserve the right to produce further evidence.

According to prescriptions in *PRC Foreign Trade Law*, *PRC Anti-dumping Regulations* and *PRC Anti-Subsidy Regulations*, the applicants hereby officially submits anti-dumping investigation and anti-subsidy investigation application.

Universal Agent: Beijing Huanzhong Law Firm (Seal)

Registered lawyer of People's Republic of China: Wang Xuehua Lawyer
Lawyer License No.: 010094111899 (Signature)

September 9th, 2009