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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

QUESTIONS POSED BY CANADA REGARDING THE NEW AND FULL NOTIFICATION OF CHINA¹

The following communication, dated and received on 19 April 2022, is being circulated at the request of the delegation of Canada.

Canada kindly asks China to provide responses to the following questions:

I. Subsidies at the Central Government Level

Question 1

The details of Program 49 (*Special Fund for Foreign Economic and Trade Development*) refer to providing support to underdeveloped regions to "improve international business operation capacities".

- a. Does this program support specific sectors? If so, please elaborate on the sectors eligible for this program.
- b. Does the program include support for firms to export products to other markets? If so, what are the conditions attached for the recipients to receive the support.

Question 2

Programs 45 (*Subsidy fund for agricultural resources and ecological protection*); 67 (*Fisheries stocks enhancement and fish fries releasing*); and 71 (*Subsidy for reform in tax and fee on refined oil for fishery*) describe subsidies provided directly to fishers for various purposes including ecological protection, fishery stock enhancement and industrial restructuring.

- a. Please elaborate on what type of fishing activities must fishers be engaged in to be eligible to receive subsidies under these programs?

Question 3

Program 49 (*Special Fund for Foreign Economic and Trade Development*) aims to "optimize the structure of international trade," develop trade in service and technology," according to the "factor approach".

- a. Could China provide more details on the factor approach and whether any of subsidies provided under the program linked to exports?

Question 4

Program 51 (*Additional Subsidy for Renewal Energy Tariffs*) promotes the utilization of renewable energy broadly by "grid enterprises."

¹ G/SCM/N/372/CHN.

- a. Could China provide more details on the type of renewable energy or renewable energy projects this subsidy will support and on the conditions attached to the provision of these subsidies?
- b. Is the provision of support conditional on meeting a local content threshold?

Question 5

Program 69 (*Subsidy Fund for Fishery Development and the Scrapping, Dismantling and Renovating of Vessels*) includes support to promote the development of distant water fishing and improve habitability of distant water fishing vessels.

- a. How does this subsidy fund intend to "promote the sustainable and healthy development of distant water fishing"?
- b. What activities must distant water fishing vessels be engaged in to be eligible for this fund?

Question 6

Program 71 (*Subsidy for Reform in Tax and Fee on Refined Oil for fishery*) aims, among other things, to protect fisheries resources and maintain the livelihood of fishers.

- a. Could China clarify how the fuel subsidy will be provided to fishers or fishing vessels that "no longer engage in fishing, and whose fishing vessels are dismantled or transformed into artificial reefs"?
- b. Could China clarify what "fisheries resources conservation" is supported by this subsidy?

II. Subsidies at the Sub-Central Government Level

Question 7

The following questions are in reference to programs related to "resolving overcapacity", namely:

- Beijing Municipality Program 1.2 (*Fund for Resolving of Overcapacity in Coal Sector and Resettlement and Relocation of Employees*);
 - Heibei Province Program 2.2 (*Reward and Subsidy to Resolve Overcapacity in Coal Industry*);
 - Inner Mongolia Autonomous Region Program 5.4 (*Reward and Subsidy Fund to Resolve Overcapacity in Steel and Coal Industries*);
 - Anhui Province Program 12.3 (*Reward and Subsidy Fund to Resolve Overcapacity in Steel and Coal Industries*);
 - Guangxi Zhuang Autonomous Region Program 20.2 (*Special Reward and Subsidy for Restructuring of Industrial Enterprises*);
 - Yunnan Province Program 25.1 (*Fund to Resolve Overcapacity*); and
 - Shaanxi Province Program 27.3 (*Fund to Resolve Overcapacity*).
- a. Please provide a more detailed explanation of what "resolving overcapacity" entails, and how these programs will achieve addressing steel overcapacity.
 - b. Please confirm whether any of the subsidies provided support relocating steel capacity to other locations in China or to steel production in another country.

Question 8

Regarding Shanghai Municipality Program 9.1 (*Special Fund for Development of International Economy and Trade*) which establishes subsidies for eligible enterprises to "change development mode of foreign trade".

- a. Could China confirm if this support targets specific sectors? If so, please elaborate on the type of sectors eligible for this program.
- b. Does this support include support for firms to export products to foreign markets?

Question 9

Zhejiang Province Program 11.1 (*Subsidy for Policy Mutual Insurance of Fishery*) aims to help fishers mitigate risks of natural disasters and to ensure social stability of fishing areas.

- a. Could China clarify what is meant by "ensure social stability of fishing areas"?

Question 10

Regarding both Zhejiang Province Programs 11.1 (*Subsidy for Policy Mutual Insurance of Fishery*) and 11.7 (*Fund to Support Projects of Standardized Construction of Fishing Vessels*).

- a. What specific activities must recipients be engaged in to be eligible for this subsidy?

Question 11

Regarding Shandong Province Program 15.2 (*Special Fund to Support the Development of Distant Water Fishing*).

- a. What requirements must be met in order for an "enterprise" to be considered eligible for a grant under this fund?
- b. Does the program support, among other things, the construction of new vessels?

Question 12

Guangxi Zhuang Autonomous Region Program 20.21 (*Subsidy for Reform in Refined Oil Prices*) provides subsidies to reduce the costs of operating motor fishing vessels.

- a. What conditions must be met in order for owners of registered motor fishing vessels to be eligible to receive this grant (e.g. fishing in certain geographic areas, the size of the vessel, etc.)?

Question 13

Regarding Chongqing Municipality Program 22.15 (*Subsidy for Reform in Refined Oil*) which seeks to conserve fishery resources, prohibit fishing and to incentivize fishers to reduce the number of fishing vessels and switch new jobs.

- a. What actions, other than "quitting fishing," constitute "fishery resource conservation" under this program?

Question 14

While China notified one investment guidance fund, i.e. Qinghai Province Program 29.2 (*Fund for College Students Innovation and Entrepreneurship*), the WTO Secretariat – in its last trade policy review report of China – has identified several investment guidance funds which appear to be financed by the central and local governments and SOEs to support different industries including in advanced manufacturing, new materials and innovative technologies and industries. A study from the Center for Security and Emergency Technology reports that as of 2020, China had set up "1,741 guidance funds, with a cumulative registered target size of 11 trillion RMB".

- a. Can China provide an explanation for why other guidance funds have not been notified?

Question 15

Dalian City of Liaoning Province Program 32.2 (*Fund for Marine Fishery Development*) provides funding for activities such as fishery stock enhancement and fishers' personal accident insurance and purchase of standardized aquacultural fishing vessels.

- a. Could China clarify what individuals or enterprises are eligible to receive a grant through this fund?

- b. What activities must individuals or enterprises be engaged in to be eligible to receive this grant?

Question 16

Among other things, Xiamen City of Fujian Province Program 15.2 (*Special Fund for Marine and Fishery Development*) provides support for the development of distant-water fishing.

- a. Could China elaborate further of the what does supporting the development of distant-water fishing entails? Does that include an increase in fishing capacity?
 - b. What requirements must be met in order for an "enterprise" to be considered eligible for this program?
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