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EXECUTIVE SUMMARY

This is the twenty-seventh annual report to Congress describing the activities and actions taken by the Office of the United States Trade Representative (USTR) and the U.S. Department of Commerce (Commerce) to identify, monitor, and address trade-distorting foreign government subsidies.\(^1\) Strong enforcement of international trade rules is vital to providing U.S. manufacturers, workers and exporters the opportunity to compete on a level playing field at home and abroad. In 2021, USTR and Commerce continued to monitor and evaluate foreign government subsidies, engage with trading partners on subsidy issues, advocate for stronger subsidy disciplines and pursue concrete action against foreign government practices that appear to be inconsistent with international subsidy rules. Through these actions, USTR and Commerce identified, deterred, and challenged foreign government subsidization that harms the United States.

The principal tools available to the U.S. Government to address harmful subsidy practices are the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures (Subsidies Agreement) and U.S. domestic countervailing duty (CVD) law, while other venues and initiatives, such as the OECD Steel Committee and Global Forum on Steel Excess Capacity, also play a useful role. The Subsidies Agreement obligates all WTO Members to administer their government support programs consistent with certain rules. The United States relies on the disciplines and tools provided under the Subsidies Agreement and the U.S. CVD law to challenge and remedy the harm caused to U.S. industries, workers and exporters by trade-distorting foreign-government subsidies. USTR and Commerce work to resolve issues of concern with foreign governments’ practices and measures through informal and formal bilateral and multilateral engagement, advocacy, and negotiation. In some instances where U.S. rights and interests cannot be effectively furthered through these means, USTR will initiate and pursue WTO dispute settlement proceedings.

The U.S. Government’s subsidies enforcement program helps to ensure that American companies and workers can compete globally on a level playing-field and are not placed at a competitive disadvantage by trade-distorting foreign government subsidies. In 2022, USTR and Commerce will continue to challenge unfair trade practices, including harmful foreign government subsidization, through rigorous enforcement of domestic trade remedy laws and U.S. rights under international trade agreements, as well as robust monitoring of foreign subsidies.

\(^1\) This report is mandated by Section 281(f)(4) of the Uruguay Round Agreements Act.
2021 Subsidies Enforcement Highlights

*Rigorous Enforcement of Trade Remedies:* By early January of 2022, Commerce brought trade-enforcement to an all-time high: 652 orders, of which 169 are CVD and 483 AD, 231 involve products from China and 306 involve steel products.

*Countervailing Undervalued Currency:* Following the publication and implementation of currency undervaluation regulations in 2020, Commerce has continued to consider whether foreign governments have unfairly undervalued their currencies in a manner which has resulted in countervailable subsidies. In late May of 2021, Commerce issued its first final determination in an investigation of currency under the regulation, in a case involving *Passenger and Light Vehicle Truck Tires from Vietnam.* In this final determination the Department found that currency undervaluation by the government of Vietnam resulted in countervailable subsidies to the Vietnamese producers and exporters under investigation, resulting in program rates between 1.16 and 1.69 percent. Throughout 2021 Commerce also considered several allegations of currency undervaluation in cases involving imported products from China. However, in those Chinese currency investigations that have reached a final determination as of the drafting of this report, Commerce has determined that there were no countervailable currency subsidies in the period under investigation based on analyses by the Treasury Department that undervaluation was not the result of Chinese government action on the exchange rate during the period.

*WTO Fisheries Subsidies Negotiations:* In 2021, the United States continued to play a leadership role in seeking a meaningful outcome to the negotiations with strong disciplines on harmful fisheries subsidies, including prohibitions on subsidies to vessels determined to be engaged in illegal, unreported, and unregulated (IUU) fishing, subsidies for fishing on overused stocks, and subsidies that contribute to overcapacity and overfishing. The United States also submitted a new proposal in May 2021 to ensure an outcome in the negotiations can contribute to WTO Members’ efforts to highlight and address the use of forced labor on fishing vessels.

*Stopping Circumvention of Trade Remedies:* Commerce issued 13 preliminary or final circumvention determinations in 2021, including 11 affirmative determinations. Furthermore, in June and November, Commerce reached affirmative final determinations in circumvention inquiries of steel-related AD/CVD orders on products from China which were self-initiated in 2020 based on Commerce’s own monitoring of trade patterns.

*US-EU Global Arrangement to Restore Market-Oriented Conditions and Address Carbon Intensity:* On October 31 2021, the United States and European Union announced their intention to negotiate future arrangements for trade in the steel and aluminum sectors that take account of both global non-market excess capacity as well as the carbon intensity of these industries. The United States and the EU will seek to conclude the negotiations on the arrangements within two years, and will invite like-minded economies to participate in the arrangements and contribute to achieving the goals of restoring market-oriented conditions and supporting the reduction of carbon intensity of steel and aluminum across modes of production.

*Holding China Accountable for its Subsidies Notification Obligations:* The United States pressed China on its failure to notify the full range of its steel and other industrial subsidy programs and utilized a rarely used mechanism to request that China provide certain legal measures - apparently not publicly available – related to government support programs for its fisheries and semiconductor industries. The United States continued to use bilateral and multilateral fora to push for increased transparency from China on the full scope of its subsidy programs.
INTRODUCTION

The WTO Subsidies Agreement establishes multilateral disciplines on the use of subsidies and provides mechanisms for challenging government measures that contravene these disciplines. The disciplines established by the Subsidies Agreement are subject to WTO dispute settlement procedures. The remedies in such circumstances can include the withdrawal or modification of a subsidy, or the elimination of a subsidy’s adverse effects within certain timeframes. In addition, the Subsidies Agreement sets forth rules and procedures on the application of CVD measures by WTO Members with respect to subsidized imports.

The Subsidies Agreement divides subsidy practices into three classes: prohibited (red light) subsidies; permitted yet actionable (yellow light) subsidies; and permitted non-actionable (green light) subsidies. Subsidies contingent upon export performance (export subsidies) and subsidies contingent upon the use of domestic over imported goods (import-substitution subsidies or local-content subsidies) are prohibited. All other subsidies are permitted, but are nevertheless actionable through CVD or dispute settlement action if they are (i) “specific”, e.g., limited to a firm, industry or group and (ii) found to cause adverse trade effects, such as material injury to a domestic industry or serious prejudice to the trade interests of another WTO Member.

USTR and Commerce have unique and complementary roles with respect to their responses to U.S. trade policy problems associated with foreign government subsidies. In general, USTR has primary responsibility for developing and coordinating the implementation of U.S. international trade policy, including with respect to subsidy matters; representing the United States in the WTO, including the Committee on Subsidies and Countervailing Measures (Subsidies Committee); and chairing the U.S. interagency process on matters of subsidy trade policy. The Interagency Center on Trade Implementation, Monitoring, and Enforcement within USTR also has provided the U.S. Government an increased research and monitoring ability.

The role of Commerce, through its Enforcement and Compliance (E&C) unit within the International Trade Administration, is to administer and enforce the U.S. CVD law, identify and monitor the subsidy practices of other countries, provide the technical expertise needed to analyze and understand the impact of foreign subsidies on U.S. commerce, and provide assistance to interested U.S. parties concerning remedies available to them under U.S. law. E&C also identifies appropriate and effective strategies and opportunities to address problematic foreign subsidies and works with USTR to

\[2\] This report focuses on measures that would fall under the purview of the Subsidies Agreement and does not comprehensively address activities that would be addressed under other WTO agreements, such as the Agreement on Agriculture.

\[3\] With the expiration in 2000 of certain provisions of the Subsidies Agreement regarding green light subsidies, the only non-actionable subsidies at present are those that are not specific, as discussed below.
engage foreign governments on subsidies issues. Moreover, E&C works closely with USTR in responding to foreign government requests for information, and in defending the interests of U.S. exporters in foreign CVD cases involving imports from the United States. Within E&C, subsidy monitoring and enforcement activities are carried out by the Subsidies Enforcement Office (SEO). See Attachment 1.

NEGOTIATIONS AND INITIATIVES

WTO NEGOTIATIONS – FISHERIES SUBSIDIES

In December 2017, at the Eleventh Ministerial Conference (MC11), Ministers issued a Decision in which Members committed to “continue to engage constructively in the fisheries subsidies negotiations, with a view to adopting, by the Ministerial Conference in 2019, an agreement on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU-fishing.”

Following MC11, the Rules Negotiating Group (RNG) held regular meetings to advance the negotiations. However, the Twelfth Ministerial Conference (MC12), originally planned for 2019, was rescheduled for 2020, then December 2021, and then postponed indefinitely due to the COVID-19 pandemic. Nonetheless, over the course of 2021, negotiations proceeded on the basis of a rigorous schedule in multiple configurations and technological formats. Additionally, a virtual Ministerial-level meeting was held in July 2021 to advance the negotiations.

As previously reported, the United States has long been an active and constructive participant in the fisheries subsidies negotiations in the RNG, pressing for a meaningful agreement to prohibit the most harmful types of fisheries subsidies. The United States and various like-minded Members have put forward several proposals designed to achieve an ambitious outcome for these negotiations, to bridge gaps and bypass continued abstract debates in the RNG.

In 2021, the United States continued to play a leadership role in the negotiations and to press for strong fisheries subsidies disciplines, including prohibitions on subsidies to vessels determined to be engaged in IUU fishing, subsidies for fishing on overfished stocks, subsidies contingent on fishing beyond the Members’ jurisdiction, and subsidies to vessels not flying the Member’s own flag.

The United States also continued to advocate for enhanced transparency and notification requirements. While these proposals directly address the worst forms of industrial fishing subsidies, Members at all levels of development continued to press for exceptions and other carve-outs from the prohibitions, in particular to preserve policy space for continued or future subsidization.

On May 26, 2021, the United States put forward a proposal to ensure an outcome in the negotiations can contribute to Members’ efforts to highlight and address the use of forced labor on fishing vessels. The proposal calls for: (1) the inclusion of effective disciplines on harmful subsidies to fishing activities that may be associated with the use of forced labor; (2)
the explicit recognition of this problem and the need to eliminate it; and, (3) transparency with respect to vessels or operators engaged in the use of forced labor.

Following the postponement of MC12, the RNG indicated that intensive negotiations will resume in early 2022, focusing on those areas where significant disagreement exists and where further technical work is needed. The United States will continue to constructively engage to conclude the negotiations with a meaningful outcome.

TRILATERAL INITIATIVE AND OTHER BILATERAL NEGOTIATIONS

During the past year, the United States continued work in various fora to address ongoing concerns regarding non-market-oriented policies and practices in third countries, especially China, that lead to severe overcapacity, and undermine the proper functioning of international trade, including where existing rules are not effective.

On November 30, 2021, the Trade Ministers of the United States, Japan, and the European Union agreed to renew their Trilateral partnership to address the global challenges posed by non-market policies and practices of third countries that undermine and negatively affect our workers and businesses. They agreed to focus their work as trilateral partners in three areas:

1) Identification of problems due to non-market practices;
2) Identification of gaps in existing

3) Identification of areas where further work is needed to develop rules to address such practices.

ADDRESSING MARKET-DISTORTING TRADE PRACTICES IN THE STEEL INDUSTRY

In 2021, the United States continued its active engagement in the Global Forum on Steel Excess Capacity (GFSEC), the North American Steel Trade Committee (NASTC), and the Steel Committee of the Organization for Economic Cooperation and Development (OECD), as well as its strong enforcement efforts with respect to steel.

While steel market conditions improved in 2021 and steel production in the United States recovered significantly, excess capacity in global steelmaking remains a significant concern, with capacity continuing to exceed demand for steel by a wide margin. The COVID-19 pandemic exacerbated global imbalances in 2020 by diminishing demand in key steel-consuming sectors, while steelmaking capacity continued its increase in regions already characterized by excess capacity. According to the OECD, like in 2020, the gap between global steelmaking capacity and demand was expected to remain large in 2021, close to 500 million metric tons after narrowing slightly between 2016 and 2019. China continues to account for the largest share of existing and new global steelmaking capacity, and in 2021 Chinese steel
production continued its trajectory of record-high production increases similar to 2020. Further, new capacity projects throughout Southeast Asia and the Middle East are a cause for concern to the extent that such investments are driven by government subsidies and support which are inconsistent with market mechanisms. Sustained high levels of steelmaking capacity and associated production that remain out of line with market realities continue to cause distortions in trade patterns and global prices.

ENGAGEMENT

The 31st meeting of the NASTC was hosted virtually by Mexico during 2021. The NASTC is a longstanding initiative for government-industry cooperation among the United States, Mexico, and Canada on steel policy matters, and for coordination on issues in multilateral fora of importance to the steel sector. NASTC efforts include monitoring and information-sharing regarding developments in key steel-producing third countries with a view to identifying and addressing distortions in the global steel market.

The United States is also an active participant in the Steel Committee of the OECD, which convened two remote meetings and undertook various workstreams in 2021. The OECD Steel Committee provides a forum for government, industry, and labor representatives from 30 economies (including several non-OECD members) to discuss evolving challenges facing the steel industry. Reducing market-distorting subsidies affecting the steel sector and encouraging structural adjustment are key objectives of the Committee’s work. The United States and like-minded trading partners are working through the OECD Steel Committee and the GFSEC to develop data and analyses on the prevalence of subsidies and other government support measures in the steel sector, and the role of those measures in creating or sustaining excess capacity.

The United States, the European Union, and Japan have made joint submissions to the WTO concerning the myriad ways in which state intervention and the conduct of state enterprises contribute to overcapacity in steel and other industrial sectors. (For further information, see WTO Subsidies Committee section, below.)

In October 2021, the United States and the European Union agreed to negotiate, in accordance with their respective institutional frameworks, future arrangements for trade in steel and aluminum that take into account both global non-market excess capacity as well as the carbon intensity of these industries (“Global Arrangement”). The United States and the EU will invite like-minded economies to participate in the arrangements and contribute to achieving the goals of restoring market-oriented conditions and supporting the reduction of carbon intensity of steel and aluminum across modes of production. The United States and the EU will seek to conclude the negotiations on the arrangements within two years. In order to encourage similar efforts by other steel producing economies, the United States and the EU agreed to consult with respect to bringing these matters into relevant international fora for discussion, as appropriate.
Under the Global Arrangement, it is envisioned that each participant in the arrangements, consistent with international obligations and the multilateral rules, including potential rules to be jointly developed in the coming years, would undertake the following actions: (i) restrict market access for non-participants that do not meet conditions of market orientation and that contribute to non-market excess capacity, through application of appropriate measures including trade defense instruments; (ii) restrict market access for non-participants that do not meet standards for low-carbon intensity; (iii) ensure that domestic policies support the objectives of the arrangements and support lowering carbon intensity across all modes of production; (iv) refrain from non-market practices that contribute to carbon-intensive, non-market oriented capacity; (v) consult on government investment in decarbonization; and (vi) screen inward investments from non-market-oriented actors in accordance with their respective domestic legal framework.

In addition to these cooperative efforts with like-minded trading partners, USTR and Commerce continue to engage bilaterally with other countries to press for change in foreign government conduct that distorts steel markets and international trade in the steel sector.

TRADE REMEDY ENFORCEMENT

Overall, Commerce administered a total of 306 AD/CVD orders on steel-related products as of early January 2022 – nearly half of the 652 orders in place.

Commerce has also focused on anti-circumvention efforts, particularly involving circumvention of U.S. AD and CVD orders on steel products. For example, in May 2018, Commerce made affirmative final circumvention determinations for corrosion-resistant steel products (CORE) and cold-rolled steel products (CRS) made with substrate from China, shipped to Vietnam for minor processing, and then exported to the United States – in circumvention of existing AD and CVD orders on CORE and CRS from China. In December 2019, Commerce made affirmative final circumvention determinations involving CORE and CRS that are made with substrate from Korea or Taiwan, shipped to Vietnam for minor processing, and then exported to the United States – in circumvention of existing AD and CVD orders on CORE and CRS from Korea and Taiwan.

In August 2019, Commerce broke new ground by self-initiating inquiries into possible circumvention of the AD/CVD orders on CORE from China and Taiwan. Specifically, Commerce examined whether steel substrate from China or Taiwan is exported to any of 5 third countries (Costa Rica, Guatemala, Malaysia, South Africa, and the UAE) for completion, and then exported to the United States. This was the first time that Commerce self-initiated circumvention inquiries based on its own monitoring of trade patterns. It was also the first self-initiation of multi-country circumvention inquiries. In 2020, Commerce made affirmative anti-circumvention findings regarding CORE completed in Costa Rica, Malaysia, and the UAE.

In addition, in 2020 Commerce published new regulations that strengthen its current steel import monitoring
program. The new regulations allow for a continuation of the timely monitoring of steel import trends but also new data collection that will help detect circumvention and evasion involving steel products. The new regulations included a new requirement to identify the steel import licenses and the country where imported steel products are melted and poured; an aggregate version of this country of melt and pour data will be included in the public Steel Import Monitoring and Analysis (SIMA system).

In 2020, Commerce self-initiated inquiries into possible circumvention of AD/CVD orders on certain steel products, and published affirmative findings on these products in 2021. Specifically, Commerce made affirmative circumvention findings on CORE completed in Malaysia, using carbon hot-rolled steel and/or cold-rolled steel flat products (substrate) manufactured in Taiwan and China, and welded oil country tubular goods (OCTG) completed in Brunei or the Philippines using inputs manufactured in China. These are explained in greater detail in the section titled “Self-Initiation of Circumvention Inquiries in AD and CVD Orders.”

U.S. TRADE REMEDY PROCEEDINGS
OVERVIEW AND TRENDS

Commerce’s E&C unit rigorously enforces U.S. trade laws by conducting CVD investigations of imports into the United States that are allegedly subsidized by foreign governments and that cause harm to U.S. industries. Commerce also conducts AD investigations of imports that are alleged to be dumped at prices that are less than fair value that cause harm to U.S. industries and workers. In addition, the U.S. International Trade Commission (USITC) – an independent agency – determines whether the imports at issue materially injure, threaten material injury to, or materially retard the establishment of the competing U.S. industry. Investigations vary widely in scope and complexity and will result in a CVD order (and/or AD order) upon affirmative determinations by both Commerce and the USITC. These orders direct the U.S. Customs and Border Protection to collect duties on unfairly subsidized or dumped goods entering the country, giving relief to domestic industries harmed by unfair trading practices.

Commerce continues to monitor and enforce its AD and CVD orders through various proceedings, including circumvention inquiries. Such inquiries determine if an existing AD/CVD order is being circumvented. In addition, Commerce defends its determinations in U.S. courts and, as discussed in detail further below, before WTO dispute settlement panels and NAFTA or USMCA binational panels.

As of early January 2022, there were a total of 652 AD and CVD orders in place covering a broad array of industries and products, providing relief to domestic industries and workers from unfairly traded goods. Of these 652 total orders, 169 are CVD orders. Based on available data, roughly 1.1 percent of U.S. imports for consumption were subject to AD or CVD orders. The following table shows the estimated breakdown of the share of AD/CVD orders by industry grouping:
### CURRENT AD/CVD ORDERS BY PRODUCT

<table>
<thead>
<tr>
<th>PRODUCT/GROUP</th>
<th>SHARE OF TOTAL (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>47</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12</td>
</tr>
<tr>
<td>Other Metals</td>
<td>11</td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td>7</td>
</tr>
<tr>
<td>Foodstuffs</td>
<td>3</td>
</tr>
<tr>
<td>Paper &amp; Paperboard</td>
<td>4</td>
</tr>
<tr>
<td>Textiles</td>
<td>4</td>
</tr>
<tr>
<td>Other Manufacture</td>
<td>6</td>
</tr>
<tr>
<td>Machinery &amp; Auto</td>
<td>5</td>
</tr>
<tr>
<td>Cement &amp; Ceramics</td>
<td>2</td>
</tr>
<tr>
<td>Minerals</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

Details on all of Commerce’s CVD proceedings that were active from January 1, 2021, through June 30, 2021, as reported by the United States to the WTO Subsidies Committee in accordance with Article 25.11 of the Subsidies Agreement, are available in WTO document G/SCM/N/379/USA (October 8, 2021), available at the WTO public document web site at [https://docs.wto.org/](https://docs.wto.org/). Detailed analysis of the individual subsidy programs that Commerce has investigated in each CVD proceeding since 1980 can be accessed through the SEO’s Electronic Subsidies Enforcement Library website at [https://esel.trade.gov](https://esel.trade.gov).

#### TRADE REMEDY COUNSELLING

E&C’s Trade Remedy Counseling and Initiations office ensures that all U.S. industries with concerns about unfairly traded imports can understand how to take full advantage of the trade remedy laws available to them. Within this office, the AD/CVD Petition Counseling and Analysis Unit (PCAU) provides a variety of services and resources to U.S. industries with issues related to unfairly traded imports to help them understand the U.S. laws dealing with dumping and unfair foreign government subsidization and the actions they can take against these unfair trade practices. Under U.S. law (the Tariff Act of 1930, as amended), industries who are seeking relief from injury caused by allegedly dumped and/or unfairly subsidized imports into the United States may petition the U.S. government to investigate the unfair imports. U.S. law establishes specific requirements that a petition must meet in order for Commerce to initiate an investigation on the basis of the petition.

The PCAU helps U.S. industries understand these statutory requirements and the petition filing process and also offers technical assistance to help potential petitioners:

4 Similar detailed information for the period July 1, 2021 through December 31, 2021 was not available at the time of drafting this report, but should become available to the public around April 2022, also on the WTO’s public document site.

5 Specifically, the petitioner must provide a reasonable basis to believe or suspect that dumping and/or subsidization of a particular product is occurring, that the domestic industry has suffered material injury, threat thereof, or the establishment of the domestic industry is materially retarded, and that there is a causal link between them. In a countervailing duty petition, the petitioner must allege and support with reasonably available information that a government financial contribution has been provided, which bestows a benefit on the foreign producer/exporter, and that the subsidy is “specific,” e.g., limited to a particular company, industry, or group of companies or industries. Additional information on the statutory requirements and the process for filing an antidumping duty and/or countervailing duty petition is available on the PCAU’s website at [https://www.trade.gov/ec-petition-counseling](https://www.trade.gov/ec-petition-counseling).
• Determine what types of information will be required to file a petition that requests an investigation into the unfairly traded imports;
• Ensure draft petitions are in compliance with the statutory initiation requirements; and
• Obtain publicly available data and information.

In Fiscal Year 2021, the PCAU conducted over 500 counseling sessions, to ensure that U.S. industries can access and utilize the options available under the U.S. antidumping and countervailing duty laws to obtain relief from unfairly traded imports.

The Trade Remedy Counseling and Initiations office also helps U.S. industries facing issues with existing AD/CVD orders understand options to address these issues, including working with U.S. Customs and Border Protection to address fraud and/or evasion, pursuing scope or circumvention inquiries, or developing potential new AD/CVD investigations.

SELF-INITIATION OF CIRCUMVENTION INQUIRIES IN AD AND CVD ORDERS

Under U.S. law, Commerce may conduct a circumvention inquiry when evidence suggests that merchandise subject to an AD or CVD order undergoes a minor alteration that brings the product outside the scope of the order. Commerce may also conduct circumvention inquiries when evidence suggests that merchandise subject to an order is completed or assembled in the United States or third countries from parts and components imported from the country subject to the order. Commerce can also find that later-developed merchandise (i.e., merchandise developed after the initiation of an AD/CVD investigation) may also be covered by an existing order.

Typically, circumvention inquiries are initiated in response to allegations filed by the domestic industry. However, Commerce’s regulations provide that a circumvention inquiry may be self-initiated when Commerce determines from available information that an inquiry is warranted. Commerce has developed the capacity to more fully utilize self-initiation to stop circumvention of U.S. trade laws.

In 2020 Commerce announced the self-initiation of new inquiries into possible circumvention of AD/CVD orders involving stainless steel sheet and strip made with substrate from China, completed in Vietnam, and then exported to the United States and into possible circumvention of AD/CVD orders involving welded oil country tubular goods made with substrate from China, completed in Brunei and the Philippines, and then exported to the United States.

On November 26, 2021, Commerce announced its final determination that imports of welded oil country tubular goods (OCTG) completed in Brunei or the Philippines using inputs manufactured in China are circumventing the antidumping and countervailing duty orders on OCTG from China.

RULE ON CURRENCY UNDERVALUATION

While the existing statute provides Commerce with the authority to address subsidies resulting from unfair currency
undervaluation, in order to provide additional guidance to the public on how Commerce will determine the existence of a benefit when examining a potential subsidy resulting from currency undervaluation and clarify that companies in the traded goods sector of the economy can constitute a group of enterprises for purposes of determining whether a subsidy is specific, on February 4, 2020, Commerce published the Modification of Regulations Regarding Benefit and Specificity in Countervailing Duty Proceedings (Currency Rule) (85 FR 6031).

The Currency Rule sets forth Commerce’s approach to analyzing the specificity of domestic subsidies and the determinations of undervaluation and benefit when examining potential subsidies arising where government action on the exchange rate contributes to an undervaluation of a currency. The Currency Rule became effective on April 6, 2020. Commerce investigated allegations under the Currency Rule in cases from China and Vietnam. In Vietnam, Commerce made a final determination that currency undervaluation conferred a countervailable benefit to exporters from that country. With respect to allegations made in various China investigations, in those investigations where Commerce made final determinations involving currency allegations, Commerce found during the relevant period that currency undervaluation was not the result of Chinese government action on the exchange rate, a finding based on the evaluations and conclusions of the Treasury Department as contemplated under the Currency Rule. Pursuant to the regulation, Commerce will continue to evaluate allegations of currency undervaluation supported by reasonably available information.

APPLICATION OF U.S. CVD LAW TO CHINA

Starting in the 1980s, Commerce declined to apply the CVD law to nonmarket economies (NMEs) because Soviet-era economies presented obstacles to its application. In 2006, based on a CVD petition filed by the U.S. coated free sheet paper industry, Commerce determined that reforms in China’s economy had removed those obstacles, and began to apply U.S. CVD law to China. Public Law 112-99, amending Section 701 of the Tariff Act of 1930, reaffirmed Commerce’s ability to impose countervailing duties on merchandise from countries that Commerce has designated as NMEs when those imports benefit from countervailable subsidies and materially injure a U.S. industry. Efforts by China to challenge Commerce’s ability to countervail Chinese subsidies under Public Law 112-99 through WTO dispute settlement were unsuccessful. Since 2006, numerous U.S. industries concerned about subsidized imports from China have filed CVD

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7 See, e.g., Pentafluoroethane (R-125) from the People’s Republic of China: Final Affirmative Countervailing Duty Determination; 2022, 87 FR 1110-1112 (January 10, 2022), and accompanying Final Issues and Decision Memorandum.
petitions. As of early January 2022, Commerce had in place 231 AD and CVD orders on imports from China, involving many different products and industries, 83 of which were CVD orders.

There is a broad array of alleged subsidies that Commerce has investigated or is investigating in these CVD cases, including currency; preferential government policy loans; income tax and value-added tax exemptions and reductions; the provision by the government of goods and services such as land, electricity, and steel on non-commercial terms; and a variety of provincial and local government subsidies.

Several of the programs Commerce has investigated appear to be prohibited under the Subsidies Agreement, including a myriad of export-contingent grants and tax incentives. Details on the U.S. WTO disputes challenging WTO Members’ maintenance of subsidy programs that appear to be prohibited are discussed below in the WTO Dispute Settlement section.

**ADMINISTRATIVE REVIEWS OF CVD ORDER ON SOFTWOOD LUMBER FROM CANADA**

One of the largest, in terms of trade, CVD proceedings that Commerce has conducted during the last several years, accounting for billions of dollars in trade, involves subsidized imports of softwood lumber from Canada.

Since the announcement of the CVD order in 2017, Commerce has conducted multiple administrative reviews of the order. Most recently, on November 24, 2021, Commerce announced the final results of the second administrative review of the CVD order on softwood lumber. The final calculated rates for the four investigated Canadian lumber producers ranged between 2.42 and 18.07 percent for the 2019 period of review.

Commerce will continue its work conducting the third administrative review of this order and expects to announce preliminary results in early 2022.

**OTHER MONITORING AND ENFORCEMENT**

**INTERAGENCY CENTER ON TRADE IMPLEMENTATION, MONITORING AND ENFORCEMENT**

In 2016, the Trade Facilitation and Trade Enforcement Act of 2015 (TFTE) statutorily established the Interagency Center on Trade Implementation, Monitoring and Enforcement (the “Center”) within USTR to support the trade enforcement function across the U.S. government.

By 2021, the Center had deployed analysts with subject matter expertise in subsidies analysis and economics, the political economies of China and other major trading partners, and analysts with language skills – including principally Mandarin Chinese.

In 2021, the Center continued to enhance USTR’s trade enforcement activities with respect to Section 301 trade actions and in the context of WTO dispute settlement. Specifically, the Center continued to support the U.S. challenge to India’s export subsidies at the WTO and China’s support to various agricultural
commodities, and to research and identify foreign government subsidies in order to advance the U.S. agenda of enhancing subsidies transparency in various multilateral fora: the WTO Subsidies and Agriculture committees, the OECD Global Steel Forum on Excess Capacity, OECD Trade Policy Papers, a new OECD initiative on fossil fuel subsidies, and at the Government/Authorities Meeting on Semiconductors. The Center also provided critical expertise in the fisheries subsidies negotiations with research on Chinese policies that lead to fishing overcapacity and encourage IUU fishing.

ADVOCACY EFFORTS AND MONITORING SUBSIDY PRACTICES WORLDWIDE

The United States is strongly committed to enforcing its rights under the Subsidies Agreement. Specifically, the U.S. Government is focusing its monitoring and enforcement activities in key overseas markets by working to address harmful foreign government subsidies and ensuring foreign government compliance with existing trade agreements. By working to address a wide range of subsidy practices, the U.S. Government’s subsidies enforcement program is helping to meet the important goal of expanding U.S. exports and creating and preserving U.S. jobs.

Identifying, researching and evaluating potential foreign government subsidy practices is a core function of the subsidies enforcement program. Expert subsidy analysts in E&C and USTR (including within the Center) with various foreign language skills primarily conduct this work. The work includes performing research and in-depth analysis of potential subsidies and cultivating relationships with U.S. industry contacts. USTR and E&C officers stationed overseas (for example, in China) enhance these efforts by helping to gather, clarify, and confirm the accuracy of information concerning foreign subsidy practices.

STEEL AND ALUMINIUM MONITORING

Commerce administers the Steel Import Monitoring and Analysis (SIMA) program. SIMA provides early and reliable statistical information on steel mill imports to the government and the public by combining the data reported on steel import licenses with other publicly available data in the Steel Import Monitor on Commerce’s website. SIMA posts a variety of tables that alert U.S. steel producers to increases in certain kinds of imports and rapid price changes. The U.S. Government has collected early steel import information via the licenses for two decades. The rules were revised in 2020.

On September 11, 2020, Commerce published a final rule (85 FR 56162) implementing changes to its steel import licensing system, with an effective date of October 13, 2020. In the final rule, Commerce modified its regulations pertaining to the SIMA system to require steel import license applicants to identify the country where the steel used in the manufacture of the imported steel product was melted and poured (the country of melt and pour); expand the scope of steel products subject to the SIMA licensing requirement to an additional eight tariff lines (at the ten-digit level); extend the SIMA system indefinitely by eliminating the regulatory provision concerning the duration of the SIMA system; and codify
eligibility for use of the low-value license for certain steel entries up to $5,000.

A dashboard to include the new data collected on the licenses regarding the country of original melt and pour used in the imported steel product was added to the public SIMA monitor in January 2021. Having this data publicly available is designed to assist the industry identify supply chain information about steel imports; this was a feature that the industry was very interested in obtaining. To familiarize the public with the changes to the SIMA system and the new monitors, Commerce engaged in extensive outreach.

The SIMA team also publishes a series of comprehensive reports detailing current steel trade flows involving the top importing and exporting countries. These reports cover steel trade flows that may impact U.S. markets, and the reports provide U.S. business with updated market intelligence on the changing trade patterns globally. Users of the reports are able to compare markets and objectively evaluate and react to market trends, allowing a “deep dive” analysis of steel trends.

In addition, SIMA has developed an Interactive Global Steel Trade Monitor that provides extensive and timely steel trade data for the top 20 global steel importing countries and top 20 global steel exporting countries. This tool gives users flexibility to select online customized import and export flows in intuitive graphic form and detailed charts for five aggregate steel mill product groups: flat, long, pipe & tube, semi-finished, and stainless products.

The interactive monitor provides customized access to detailed data in tables and graphs about the top countries that play an integral role in global steel trade. Both the reports and the interactive monitor include annual and year-to-date global export and import trends, import and export composition by type of product, and export and import market share by country and type of steel product.

In addition to the enhancements to the SIMA system, Commerce has established a system of import licensing to facilitate the early monitoring of imports of aluminum articles. An aluminum import monitoring and analysis program provides internal and external parties earlier advanced warning of potential import concerns. A proposed rule was published in April 2020 (85 FR 23748) announcing the Department’s proposal and requesting public comments. A final rule was published on December 23, 2020 (85 FR 83804). The rule was delayed in January by the publication of a notice entitled Aluminum Import Monitoring and Analysis System: Delay of Effective Date (86 FR 7237). Additional notices were published on April 1, 2021 and May 21, 2021 entitled Aluminum Import Monitoring and Analysis System: Stay and Delay of Compliance Date (86 FR 17058) and Aluminum Import Monitoring and Analysis system: Effective Date and Response to Comments (86 FR 27513), respectively. The license requirement went into effect on June 28, 2021 and the AIM monitor was released to show early information collected from the aluminum licenses. To ensure a smooth adoption of the licensing requirement and familiarize the public with the AIM monitor, Commerce engaged in extensive outreach.
Despite its insistence that it be treated as a market economy, the Chinese government has continued to reinforce the state’s significant role in China’s economy, which relies heavily on state-owned and state-financed enterprises. China’s state capitalist and mercantilist strategy diverges from the path of economic reform that drove China’s accession to the WTO, and is incompatible with an international trading system expressly based on open, market-oriented policies and rooted in the principles of non-discrimination, market access, reciprocity, fairness, and transparency. With the state leading China’s economic development, the Chinese government has pursued new and more expansive industrial and mercantilist policies, often designed to limit market access for imported goods, foreign manufacturers, and foreign service-suppliers. The Chinese government does this while also offering substantial government guidance, regulatory support, and resources, including subsidies, to Chinese industries, particularly industries dominated by SOEs.

Against this backdrop, there continue to be serious concerns regarding China’s poor record of compliance with its WTO obligations and its unwillingness to play by the rules to which it agreed when it joined the WTO in 2001. With subsidy transparency obligations, concerns involve China’s chronic failure to notify all aspects of its industrial subsidy regime to the WTO, particularly at the sub-central levels of government. China maintains a largely opaque industrial support system and employs thousands of subsidies – some of which may be prohibited – as an integral part of industrial policies designed to promote or protect its SOEs and favored domestic industries. The heavy state role in the economy has generated trade frictions with China’s many trade partners, including the United States, and caused significant harm to the U.S. manufacturing base. In response, the United States and other WTO Members have pursued several successful dispute settlement proceedings against China with respect to its subsidies practices, and have pressed China in the WTO Subsidies Committee to be more transparent (see below and WTO Subsidies Committee section of this report).

Transparency is a core principle of the WTO agreements, and it is firmly enshrined as a key obligation under the Subsidies Agreement, as well as China’s Protocol of Accession to the WTO and accompanying report of the Working Party. Each WTO Member is required to file biennial notifications of all specific subsidies that it maintains. This information is required, among other reasons, so that it is possible to assess the nature and extent of a Member’s subsidy programs and their likely impact on trade and competing industries in the territory of other Members.

Despite the obligation to submit regular subsidy notifications, and despite being the largest trader among WTO Members, China has repeatedly engaged in obfuscation and delaying tactics. It did not file its first subsidy notification until 2006, five years after joining the WTO. That notification only covered the period from 2001 to 2004. China submitted a second
notification five years later, in 2011, covering the period 2005 to 2008. In October of 2015, China submitted its third notification, covering the periods 2009 to 2014. Not only were all three notifications late; they were significantly incomplete. In particular, none of these notifications included the numerous central government subsidies for certain sectors (e.g., steel, aluminum, and wild capture fisheries), and none included a single subsidy administered by provincial or local government authorities, even though the United States has successfully challenged scores of provincial and local government subsidy measures as prohibited subsidies in WTO dispute settlement proceedings.

In July 2016, China finally submitted its first subsidy notification notifying a limited range of sub-central government subsidy programs since becoming a WTO Member in 2001. The notification covered the period 2001-2014. Unfortunately, the number and range of sub-central government subsidy programs covered represent a very small sample of the programs administered at the sub-central levels of government. Moreover, many of the programs were first raised by the United States in dispute settlement proceedings and terminated because they were prohibited under the Subsidies Agreement. Notifying a program several years after its implementation, or after a program has been terminated, as was the case with most of the reported sub-central government subsidy programs, contributes little to the transparency of China’s subsidies regime.

In 2018, the day before its trade policy review, China submitted its fourth subsidy notification covering the years 2015-2016, well over a year past the deadline. This was the first subsidy notification of China, since becoming a WTO Member in 2001, that included in a single document containing both central and sub-central subsidies. Unfortunately, the notification suffered from the same over-reporting and under-reporting. Numerous insignificant programs and programs that should not have been notified, were over-reported, while important programs were drastically under-reported, such as those for steel, aluminum, semiconductors, and fish. This is another example of China’s subterfuge when it comes to meeting its WTO obligations.

In July of 2019, China submitted its most extensive subsidy notification to date, covering 2017-2018. This notification covered approximately 500 programs and was the first to include at least two subsidy programs from all of the provinces, centrally administered cities, and autonomous regions. While there continued to be some over-reporting of programs that are not actionable subsidies under the Subsidies Agreement, and significantly under-reporting of important programs, especially at the sub-central levels of government, the 2019 notification was a minor step forward for China in meeting its transparency obligations under the Subsidies Agreement.

China’s large and growing role in world production and trade necessitates that its trading partners understand the extent and nature of China’s subsidy regime at both the central and sub-central government levels. The United States and several other Members have expressed serious concerns about the incompleteness
of China’s notifications and have repeatedly requested that China submit complete and timely notifications that include subsidies provided by provincial and local government authorities, as well as subsidies provided to industries with serious overcapacity problems, such as steel, aluminum, and wild capture fisheries, among others.

There is a large magnitude of governmental support in pursuit of industrial plans and related policies at all levels of government. This can be seen in the various industrial plans emanating from China’s Five-Year Plans, among others. For example, to date, the Chinese government is estimated to have provided as much as $650 billion for the implementation of its Made in China 2025 industrial plan and approximately $50.4 billion for the National Integrated Circuit Fund. Moreover, the government has announced over a thousand government “guidance funds” with targeted fundraising of approximately $1.3 trillion, of which approximately $612 billion has reported been raised to support strategic industries.

Pursuant to its WTO Protocol of Accession commitments, China is also obligated to publish all trade-related measures – which would include subsidy measures – in a single official journal and make available translations of these measures in one or more WTO languages. However, to date, it appears that China has not published in its official journal or made available translations of the vast majority of the legal measures that establish and fund China’s subsidy programs. Additionally, China is obligated pursuant to its WTO accession commitments to provide trade-related legal measures upon request through an “enquiry point”. The United States made a formal request to China’s enquiry point in 2020 for certain trade-related measures relating to semiconductors and wild capture fisheries, but the request was rejected without a valid reason.

Thus, while China generally benefits from many of the rules of the WTO – such as those providing increased market access – it continues to break others, such as those relating to its transparency obligations.

Over the past several years, the United States has taken aggressive steps in the WTO Subsidies Committee to address China’s failure to provide timely and complete subsidy notifications, with at least some limited success. As detailed below, the United States has made formal requests for information from China regarding its subsidy regime and has now counter-notified close to 500 unreported Chinese subsidy measures to the WTO Subsidies Committee. These actions were taken under provisions of the Subsidies Agreement that allow WTO Members to address the failure of other Members to comply with their transparency obligations.

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ARTICLE 25.8 INFORMATION REQUESTS

The United States submitted written requests to China for information under Article 25.8 of the Subsidies Agreement in October 2012, April 2014, April 2015, and April 2017.9

In its 2012 Article 25.8 request, the United States included evidence of central government and sub-central government subsidy measures that provided assistance to a wide range of industrial sectors in China, including semiconductors, aerospace, steel, fisheries, and textiles. Under Article 25.9 of the Subsidies Agreement, China was obligated to respond, “as quickly as possible and in a comprehensive manner”. When China did not respond to this request, the United States submitted a counter notification under Article 25.10 of the Subsidies Agreement in October 2014 (see below) covering most of the subsidy programs raised in the 2012 Article 25.8 request, and revised the 2012 request for the remaining programs not included in the counter notification.

The United States also submitted an Article 25.8 request in 2014. This request pertained to China’s policies, programs, and implementing measures in support of its “strategic emerging industries” (SEIs). A key objective of this plan was to promote key SEI sectors, which included: (1) new energy vehicles, (2) new materials (a category that includes textile products), (3) biotechnology, (4) high-end equipment manufacturing, (5) new energy, (6) next-generation information technology, and (7) energy conservation and environmental protection. As with other industrial planning measures in China, sub-central governments appeared to play an important role in implementing China’s industrial policies for its SEIs. Considering China’s failure to respond to this Article 25.8 request, the United States submitted a counter notification under Article 25.10 of the Subsidies Agreement in October 2015 (see below) covering the subsidy measures raised in the 2014 Article 25.8 request.

In the spring of 2015, the United States employed the Article 25.8 mechanism yet again to submit questions to China on various measures that appear to be fishery subsidies. Many of the measures were first listed in the WTO’s Trade Policy Report for China, drafted by the WTO Secretariat as part of its review of China’s trade policies under the Trade Policy Review Mechanism. When China did not respond to this request, in April the United States submitted a counter notification under Article 25.10 of the Subsidies Agreement (see below) covering the subsidy measures raised in the spring 2015 Article 25.8 request.

In April 2017, the United States and the European Union jointly submitted an Article 25.8 request on possible subsidies provided to China’s steel industry. In prior meetings of the Subsidies Committee, China stated that it only provided subsidies to its steel companies under three broadly available (e.g., non-specific) programs. Considering this statement, the United

9 The first U.S. Article 25.8 information request was made in October 2004. This submission was intended to prompt China to submit a subsidy notification, which China had not done since becoming a Member in 2001.
States, along with the European Union requested information on nearly 160 possible subsidies provided to China’s steel industry. These possible subsidies were listed in the annual reports of several steel companies, many of which appear to meet the notification requirements set forth under Article 25 of the Subsidies Agreement. Given the worldwide overcapacity in the steel industry, the United States believes that it is critical for China to respond to this request and notify all subsidies provided to its steel industry in accordance with its obligations.

ARTICLE 25.10 COUNTER NOTIFICATIONS

The United States has utilized the Article 25.10 counter notification mechanism of the Subsidies Agreement with respect to Chinese subsidy measures five times: in October 2011, October 2014, October 2015, April 2016, and April 2017. As noted, close to 500 subsidy measures have been counter notified to date.

In its 2011 Article 25.10 submission, the United States identified 200 unreported subsidy measures that China has maintained since 2004, including many provided by provincial and local government authorities. Although not obligated to do so, in its submission, the United States provided access to complete translated copies of each legal measure. These measures were from (1) various CVD investigations conducted by Commerce; (2) examining a Section 301 petition that had been filed by the United Steelworkers Union regarding China’s green energy support programs; and (3) extensive research conducted by USTR and Commerce (including some research that eventually led to successful WTO dispute settlement proceedings). The various measures included as part of the counter notification were voluminous, numbering over several hundred pages.

In October 2014, the United States submitted a second Article 25.10 counter notification of subsidy measures in China. This counter notification was based on the Article 25.8 questions submitted to China in October 2012. Because China did not respond to these questions after two years, the United States counter notified the measures at issue. This counter notification included 110 subsidy measures, covering, inter alia, steel, semiconductors, non-ferrous metals (including aluminum), textiles, fisheries, and various sector-specific stimulus initiatives. As part of this counter notification, the United States provided hyperlinks in its submission to complete translations of each counter notified measure.

In October of 2015, the United States submitted its third counter notification of subsidy measures in China. All the measures in this counter notification pertain to China’s policy of promoting its SEIs. This counter notification was based on the Article 25.8 questions submitted to China in the spring of 2014. Once again, because China did not respond to these questions, the United States counter notified the measures at issue. Over 60 subsidy measures were included in the counter notification. As with other industrial planning measures in China, sub-central governments appear to play an important role in implementing China’s SEI policy. Although China submitted its third subsidy notification (covering 2009 – 2014) shortly after the third U.S. counter notification, it covered very few of the subsidy programs referenced in the U.S. counter notifications.
In the spring of 2016, the United States submitted its fourth counter notification of subsidy measures in China. All the measures in this counter notification pertain to China’s fisheries subsidies. This counter notification was based on Article 25.8 questions submitted to China in the spring of 2015. Once again, because China did not respond to these questions, the United States counter notified the measures at issue. The measures counter notified included measures to support fishing vessel acquisition and renovation; a 100 percent corporate income tax exemption; grants for new fishing equipment; subsidies for insurance; subsidized loans for processing facilities; fuel subsidies; preferential provision of water, electricity, and land; grants to explore new offshore fishing grounds; grants for establishing famous brands; and special funds for SEIs in the marine economy. Over 40 subsidy measures were included in the counter notification. As with prior counter notifications, the United States included full translations of each measure in the counter notification.

In April 2017, the United States submitted its fifth counter notification of subsidy measures in China pertaining to China’s Internationally Well-Known Brand program. As background, in 2008, the United States initiated WTO dispute settlement proceedings challenging China’s Famous Export Brand program (and related programs), which provided prohibited export subsidies in the form of cash grants and other benefits to large, well-known exporters. In 2009, pursuant to settlement talks, a mutually agreed solution was reached with China, under which it terminated or amended dozens of the inconsistent measures.

After the settlement, the United States discovered, through intensive research, central and sub-central measures implementing the “Internationally Well-Known Brand” program. Many of these implementing measures indicate that this new program is essentially a successor to the Famous Export Brand program that was subject to the WTO dispute settlement proceeding. China does not appear to have notified any of the central or sub-central government Internationally Well-Known Brand measures. Therefore, to obtain more comprehensive information on China’s "brand" programs, and to establish the facts surrounding the successor program, the United States submitted its request under Article 25.10 of the Subsidies Agreement. The submission contained 80 measures, including translations of all the implementing measures.

To date, China has not provided a complete, substantive response to any of these counter notifications. Instead, China has included in its subsidy notifications a small number of the programs from the U.S. counter notifications and has argued that other measures counter notified did not provide any financial support, have, in fact, been notified, or have been terminated. For most programs, China claims that the United States has “misunderstood” China’s subsidy programs and the relationship between the programs notified by China and those contained in the U.S. counter notifications. However, China has also refused to engage with the United States in any bilateral discussions on this matter, despite bi-annual requests to do so dating back to 2011.
The WTO Subsidies Committee held its two formal semi-annual meetings in April and October of 2021. Due to the global pandemic, the meetings were conducted with Geneva-based delegates and capital-based officials participating virtually.

The Subsidies Committee continued its regular work of reviewing WTO Members’ periodic notifications of their subsidy programs and the consistency of Members’ domestic laws, regulations, and actions with the requirements of the Subsidies Agreement.

Among other items addressed in the course of the year were the following: the role of subsidies in the creation of overcapacity; submission of questions to China under Article 25.8 of the Subsidies Agreement on potential subsidies to its steel industry (see discussion above); subsidy transparency and China’s publication and inquiry point obligations under its Protocol of Accession; examination of ways to improve the timeliness and completeness of subsidy notifications; “graduation” of certain developing countries from Annex VII(b) of the Subsidies Agreement; and review of the export subsidy program extension mechanism for certain small economy developing country Members. Further information on these various activities is provided below.

10 During the April 2021 meeting, the Subsidies Committee reviewed the 2019 new and full subsidies notifications of Chile, China, Colombia, Costa Rica, Guatemala, the European Union, Honduras, Israel, Malaysia, Mexico, Namibia, the Kingdom of Saudi Arabia, Philippines, Russian Federation, the United States, and Vietnam; the 2017 new and full subsidy notifications of China, Mexico, and Namibia; the 2015 new and full notification of China and Namibia; the 2013 new and full subsidy notification of Namibia; the 2011 new and full subsidy notification of Namibia; and the 2009 new and full subsidies notification of Gabon.

11 During the October 2021 meeting, the Subsidies Committee reviewed the 2021 new and full subsidies notifications of Cambodia, Montenegro, Macao, Lao People’s Democratic Republic, and Chinese Taipei; the 2019 new and full subsidy notifications of Albania, China, the European Union, Malaysia, Mexico, Philippines, Russian Federation, the Kingdom of Saudi Arabia, and the United States; the 2017 new and full subsidy notifications of Albania, China, and Mexico; the 2015 new and full subsidy notifications of Albania and China; the 2013 new and full subsidy notification of Albania; the 2011 new and full subsidy notification of Albania; and the 2009 new and full subsidy notification of Gabon.
the WTO, although many are lesser developed countries.  

**REVIEW OF CVD LEGISLATION, REGULATIONS, AND MEASURES**

Throughout 2020 and 2021, many WTO Members submitted notifications of new or amended CVD legislation and regulations, as well as CVD investigations initiated and decisions taken. These notifications were reviewed and discussed by the Subsidies Committee at its April and October 2021 meetings. In reviewing notified CVD legislation and regulations, the Subsidies Committee procedures provide for the exchange in advance of written questions and answers to clarify the operation of the notified laws and regulations and their relationship to the obligations of the Subsidies Agreement. The United States expanded its efforts to ask questions of Members’ subsidy notifications and continued to play an important role in the Subsidies Committee’s examination of the operation of other Members’ CVD laws and their consistency with the obligations of the Subsidies Agreement.

To date, 116 WTO Members have notified that they have CVD legislation in place or stated they do not have such legislation. In 2021, the Subsidies Committee reviewed notifications of new or amended CVD laws and regulations from Argentina, Plurinational State of Bolivia, Brazil, Cameroon, Canada, Costa Rica, Ghana, India, Kenya, Liberia, Peru, the United Kingdom, Saint Kitts and Nevis, Turkey, the United States, and Vietnam.

During the April meeting, China made a statement regarding the United States’ final *Currency Rule*, which is described earlier in this report. China stated that the U.S. *Currency Rule* is inconsistent with the SCM Agreement, has systemic implications beyond the WTO’s jurisdiction, and poses a threat to the multilateral trading system. The United States substantively responded to concerns highlighted by China, specifically defending the United States’ authority to investigate and countervail currency undervaluation subsidies, and reiterated that such actions are not inconsistent with the SCM Agreement or an infringement on the authority of other international bodies.

As for CVD measures, 15 WTO Members notified CVD actions taken during the latter half of 2020, and 15 Members notified actions taken in the first half of 2021. In 2021, the Subsidies Committee reviewed actions taken by Australia, Brazil, Canada, China, Chinese Taipei, Colombia, the European Union, India, Mexico, Peru, Turkey, Ukraine, United Kingdom, the United States, and Vietnam.

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12 See Report (2020) of the WTO Committee on Subsidies and Countervailing Measures (G/L/11414), October 2021.
13 The European Union is counted as one Member. These notifications do not include those submitted by Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, and Slovenia before these Members acceded to the European Union.
14 In keeping with WTO practice, the review of legislative provisions which pertain or apply to both AD and CVD actions by a Member generally has taken place in the Antidumping Committee.
15 G/L/1368.
NOTIFICATION IMPROVEMENTS

Several years ago, the Chairman of the WTO’s Trade Policy Review Body, acting through the Chairman of the General Council, requested that all committees discuss "ways to improve the timeliness and completeness of notifications and other information flows on trade measures." The United States has fully supported the continuation of this initiative considering Members’ poor record in meeting their subsidy notification obligations.

The United States took the initiative under this agenda item to review the subsidy notification record of several large exporters who have not provided complete and timely subsidy notifications. Of primary concern in this regard was China. In 2021, the United States continued to devote significant time and resources to researching, translating, monitoring, and analyzing China’s subsidy measures and practices, such as those for semiconductors and wild capture fisheries. The United States has also been working with several other large exporting country Members bilaterally to assist and encourage them to meet their subsidy notification obligations. Pursuant to our efforts, Indonesia submitted its first notification since 1996.

The United States has also been concerned with the lack of subsidy notifications by Members with respect to sub-central government programs. While China continues to be the primary focus of this concern, other countries such as Canada, Mexico, and Brazil also seem to have difficulty comprehensively notifying sub-central government programs. Considering the efforts the United States makes to notify its state programs, the United States has focused on identifying such gaps in other Members’ subsidy notifications and pressed these Members to comprehensively notify their sub-central government programs.

In 2020, under the transparency agenda item of the Subsidies Committee, the United States continued to advocate for a specific proposal that it originally submitted in 2011 to strengthen and improve the procedures of the Subsidies Committee under Article 25.8 of the Subsidies Agreement. Under Article 25.8, any Member may make a written request for information on the nature and extent of a subsidy granted by another Member, or for an explanation of why a specific measure is not considered subject to the notification requirement. This mechanism allows Members to draw attention to and request information about subsidy measures that are of concern. Further, under Article 25.9, Members that receive such a request must answer “as quickly as possible and in a comprehensive manner.”

Despite these provisions, many questions submitted to Members under Article 25.8 remain unanswered, are answered only many years after the questions are first submitted, or are answered orally after significant delay. To address this problem, the United States proposed that the Subsidies Committee establish deadlines for the submission of written answers to Article 25.8 questions and include all unanswered Article 25.8 questions on the bi-annual agendas of the Subsidies Committee until the questions are
answered.\textsuperscript{16} The United States’ original proposal sets out specific deadlines for responses to questions.\textsuperscript{17}

Although many Members supported the proposal, several other Members, such as China, India, South Africa, and Brazil had in prior years voiced concerns that strict, mandatory deadlines for responding to Article 25.8 questions would be overly burdensome. To acknowledge that concern, the United States submitted a revised proposal in 2019 that would allow Members to mutually agree to an appropriate timeframe to respond to such questions. Specifically, under the revised proposal, Members would agree to non-mandatory deadlines for the submission of answers in writing. Under this proposal, Members would endeavor to submit written answers to Article 25.8 questions within 60 days and respond to follow-up questions within 30 days, to the extent possible.\textsuperscript{18} Several Members who were previously opposed to the proposal signaled that these revisions were a positive step and might form a basis to continue discussions and seek consensus.

To further address concerns raised by some members regarding the need to consult with sub-central governments, the United States submitted another revised proposal prior to the October 2020 meeting.\textsuperscript{19} The revision noted that Members may need to take into account the time necessary to consult with sub-central governments. It is notable that for the first time since the proposal had been presented to the Subsidies Committee, China was the only member that objected outright to the proposal. China continues to maintain that Article 25.8 of the Subsidies Agreement does not specifically require that replies be in writing or that specific deadlines be met, and that the United States’ proposal would impose new obligations and burdens on Members. Notably, China is the only Member that is regularly subject to requests under Article 25.8, and consistently refused to respond to such requests in writing (see above).

At the spring and fall meetings of the Subsidies Committee in 2021, the United States continued to revise its proposal on this matter to address concerns, including striking certain language highlighted by other Members as concerning. The United States continues to work with Members to address any remaining concerns with language in the proposal.

In 2022, the United States will continue to work on finding a pragmatic solution that satisfies the underlying objective of enhancing the information exchange, and doing do in a timely manner, and will continue to promote its revised proposal and other means to improve compliance with the subsidy notification obligations of the Subsidies Agreement.

“GRADUATION” FROM ANNEX VII (B) OF THE SUBSIDIES AGREEMENT

Annex VII of the Subsidies Agreement identifies certain lesser developed country Members that are eligible for types of special and differential

\textsuperscript{16} G/SCM/W/555; October 21, 2011. 
\textsuperscript{17} G/SCM/W/557/Rev.1; September 22, 2014. 
\textsuperscript{18} G/SCM/W/557/Rev.3. 
\textsuperscript{19} G/SCM/W/557/Rev.4.
treatment. Specifically, any export subsidies provided by these Members are not prohibited. The Members identified in Annex VII include those WTO Members designated by the United Nations as “least developed countries” (Annex VII(a)) as well as countries that, at the time of the negotiation of the Subsidies Agreement, had a per capita GNP under $1,000 per annum and that are specifically listed in Annex VII(b). A country automatically “graduates” from Annex VII(b) status when its per capita GNP rises above the $1,000 threshold. At the WTO’s Fourth Ministerial Conference, Ministers decided that the calculation of the $1,000 threshold would be based on constant 1990 dollars. The WTO Secretariat updated these calculations in 2021.

SUBSIDIES AND OVERCAPACITY SUBMISSION

At the fall 2016 meeting of the Subsidies Committee, the European Union, Japan, Mexico, and the United States submitted a paper on the problem of overcapacity in certain sectors (e.g., steel and aluminum). The paper was a follow-up to the recognition by the G20 that industrial overcapacity has become a major problem for the global economy. It suggested that the Subsidies Committee could usefully examine the extent to which subsidies contribute to overcapacity and how such subsidies could be further disciplined in the interest of providing a level playing field and an environment where trade and resource allocation is not distorted.

Prior to the spring 2017 meeting of the Subsidies Committee, the European Union, Japan, and the United States submitted a follow-up paper. This paper described in greater detail the role of subsidies in creating overcapacity and discussed options for addressing this issue through changes to the Subsidies Agreement and in the Subsidies Committee. It also called upon Members to heed the call of world leaders in the G20 for transparency and collective action to tackle harmful subsidies that contribute to severe overcapacity experienced in several sectors today.

On the margins of the fall 2017 meeting of the Subsidies Committee, the United States and the European Union organized a panel discussion on this topic, which included academics and international trade lawyers. The purpose of the seminar was to have experts discuss the relationship between subsidies and overcapacity from different perspectives and consider how the Subsidies Agreement could be strengthened and improved to address the problem.

Before the spring 2018 meeting of the Subsidies Committee, Canada, the European Union, Japan, Mexico, and the United States submitted a paper concerning the role of below-market financing in the compilation of this list and pursuant to a General Council decision, Honduras was formally added to Annex VII(b) on January 20, 2001.

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20 Members identified in Annex VII(b) are Bolivia, Cameroon, Congo, Cote d’Ivoire, Dominican Republic, Egypt, Ghana, Guatemala, Guyana, India, Indonesia, Kenya, Morocco, Nicaragua, Nigeria, Pakistan, Senegal, Sri Lanka, and Zimbabwe. In recognition of a technical error made in the final compilation of this list and pursuant to a General Council decision, Honduras was formally added to Annex VII(b) on January 20, 2001.
21 G/SCM/110/Add.18.
22 G/SCM/W/579/Rev.1.
23 G/SCM/W/572/Rev.1.
context of overcapacity. The paper specifically examined the provision of low-cost lending by state-owned banks to state-owned industrial enterprises to increase aggregate demand during times of severe recession, and subsequent steps taken by governments to convert the loans to equity. As the paper notes, this type of lending is often made without regard of the borrowers’ risk and may be explicitly or implicitly guaranteed by the government. The key question raised by this paper is whether and under what circumstances such below-market financing should be subject to stronger subsidy disciplines and what those disciplines should be.

As part of the WTO Public Forum held in October 2018, the European Union, Japan, and the United States sponsored a working session titled “Make the playing field level again! (Ensuring global fair trade by 2030).” The speakers, who included representatives from industry, government and the legal profession, discussed the extent to which WTO Members have the tools to defend themselves against the most harmful types of subsidies that lead to overcapacity and distort international trade, and whether the WTO rulebook on subsidies needs to be improved and updated.

To continue the work of highlighting the role of government intervention in certain key industries in creating and maintaining overcapacity, during the spring 2019 meeting of the Subsidies Committee, the United States, the EU, and Japan hosted a presentation by the OECD authors of the report, “Measuring distortions in international markets: the aluminium value chain”. The presentation focused on the contribution of government support to large aluminum producers in China. A key message of the presentation was that government support along each stage of the aluminum value chain has been critical to the build-up in capacity, which raises concerns about the nature of global competition in the aluminum market. The OECD report noted the importance of the need to strengthen the current subsidy rules, notably to enhance transparency and to better capture state influence in the economy, including through SOEs.

During the November 2019 meeting of the Subsidies Committee, the United States delivered an intervention focusing on the work of the Global Forum on Steel Excess Capacity, which was established by G20 Leaders in 2016. The United States drew attention to the Global Forum’s work to provide recommendations to reduce excess capacity and enhance market function in the steel sector, including by removing and refraining from granting market distorting subsidies and other types of support measures. Notably, the United States summarized the numerous types of direct and indirect government measures identified by the Global Forum that can fuel excess capacity and which should be removed, including certain types of non-market financing, such as debt forgiveness and policy loans; equity investments not on market terms; grants; tax benefits; the preferential provision of goods and services; and other distortive policy

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measures such as export subsidies, and lax regulatory enforcement in the sector. The United States also drew attention to the departure of China, the world’s largest producer of steel, from the Forum’s work, but noted that the vast majority of Global Forum Members will continue to work towards achieving the goals set out by the G20 leaders.

At the October 2020 meeting of the Subsidies Committee, the United States, European Union, Japan, Canada, and Norway made coordinated interventions on this agenda item, highlighting concerns regarding the contribution of subsidies to overcapacity in the semiconductor and steel sectors. In particular, the United States highlighted the OECD report titled, “Measuring Distortions in International Markets: The Semiconductor Value Chain”. Specifically, the United States noted the report’s findings regarding the importance of subsidies and other support measures in the global semiconductor market, which the OECD estimated to exceed $50 billion during the period 2014 to 2018. The vast majority of this support stems from regular budgetary sources and thus does not include government equity investments, state-owned bank lending, or targeted R&D support.

The United States also highlighted the report’s focus on support by China, including through the National Integrated Circuit Fund, which was established in 2014 and which China has not yet notified to the WTO. This fund, along with many local government funds, have made large equity investments in China’s semiconductor industry, resulting in very significant government ownership and control over the sector. Notably, the report found that China is the country that dedicates the largest amount of state support to its semiconductor industry. The United States also described several important recommendations included in the report, such as a call for greater transparency for support measures, enhanced scrutiny of government equity investments, and specific disciplines on SOEs, among others. The statements made by Canada, the EU, Japan, and Norway echoed those of the United States, and including the need to reengage in the Global Forum.

The United States, European Union, Japan, and Canada built upon prior interventions on overcapacity in the aluminum and semiconductor industries by focusing specifically on the contribution of below-market financing to overcapacity at the April 2021 spring meeting of the Subsidies Committee. Specifically, the United States highlighted a recently completed draft of a report titled “Measuring Distortions in International Market; Below Market Financing.” The United States highlighted findings of this report, in particular that certain sectors suffering most from excess capacity (e.g., aluminum, cement, glass, ceramics, solar panels, steel, shipbuilding) are also among the largest beneficiaries of below market borrowings. Notably, the report also found that most support was found to benefit industrial firms based in China, and that below-market finance, which includes

below-market borrowing and below-market equity, tends to correlate with increases in manufacturing capacity.

At the fall meeting of the Subsidies Committee in October 2021, the United States highlighted broader, cross-sectoral concerns with the problems posed by massive subsidization and overcapacity on the innovation landscape, specifically how subsidies and industrial targeting policies disincentivize innovation by market-oriented firms. The United States noted that studies indicate that increased import competition from China, largely fueled by subsidies, can explain roughly 40 percent of the slowdown in patents in the United States from 1999-2007. In addition, the United States highlighted research from the Information Technology Innovation Foundation (ITIF), which details the harmful effects of Chinese subsidy and industrial policies on innovation and patents in the solar and semiconductor industries in developed nations, and specifically the United States.

In 2022, the United States, along with the other proponents of this issue, will continue to seek ways in which the Subsidies Committee can play a role in addressing subsidies that contribute to overcapacity.

SUBSIDY TRANSPARENCY AND CHINA’S PUBLICATION AND ENQUIRY POINT OBLIGATIONS UNDER CHINA’S PROTOCOL OF ACCESSION

Under this agenda item, the United States explained its long-standing concerns with China’s failure to adequately comply with its transparency obligation for industrial subsidies and its continued efforts to obtain information about China’s support measures in light of China’s reluctance to provide information about such subsidies. Although the United States has been able to identify many such measures, and has obtained legal citations for some, many have not been published in a single official journal (i.e., the China Foreign Trade and Economic Cooperation Gazette published by MOFCOM) – as required by China’s commitments in its Protocol of Accession to the WTO – and are not otherwise publicly accessible. In that regard, the United States uncovered information on certain Chinese support measures relating to the fishing and semiconductor industries, for which public references exist. Because these measures are not published however, the United States submitted a request pursuant to China’s commitments in its Protocol of Accession to publish all measures pertaining to, or affecting trade in goods and services, and to provide all the relevant information regarding such measures whenever asked by another WTO Member. Specifically, under China’s Protocol of Accession, China agreed to “establish or designate an enquiry point where, upon request of any individual, enterprise or WTO Member all information relating to the measures required to be published … may be obtained.”

Despite having submitted an initial request in April 2020 and being required to re-submit it in May 2020, the United States has not yet received a formal response from China. The United States therefore urged China to respond to its request by providing all the requested documents as soon as possible in accordance with its obligations under its Protocol of Accession. As of December 2021, despite its obligation to respond in writing within 45 days, China has yet to provide the required written
response or any of the requested legal measures, despite repeated requests from the United States, including follow-up requests before the WTO’s Subsidies Committee and Council for Trade in Goods. In 2022, the United States will continue to press China to provide the requested trade-related measures subject to the U.S. enquiry point request.

**PROPOSAL TO AMEND SUBSIDY NOTIFICATION REVIEW PROCEDURES**

The Subsidies Committee has an accepted procedure in place for the review of Members’ subsidy notifications (See G/SCM/117). These procedures allow Members to ask written questions concerning another Member’s subsidy programs and require written answers from the Member whose subsidy notification is being reviewed. Among the questions asked, it is not uncommon for questions to be asked about programs that were not included in a Member’s notification. All but one Member, historically, has answered these questions. China has been the only Member to refuse to answer questions about subsidy programs that were not in its notifications.

To address this issue, the United States made a proposal to clarify the rules such that a Member would be required to answer all the questions in writing posed to it, even if the program was not included in the Member’s subsidy notification. Canada, the EU, and Japan co-sponsored the proposal and many Members spoke in favor, while others posed questions. China did not voice an opinion but is expected to do so at the next meeting in April 2022.

**ARTICLE 27.4 UPDATE**

Under the Subsidies Agreement, most developing country Members were obligated to eliminate their export subsidies by December 31, 2002. Article 27.4 of the Subsidies Agreement authorizes the Subsidies Committee to extend this deadline for Members, where requested and justified. If the Subsidies Committee does not affirmatively determine that an extension is justified, that Member’s export subsidies must be phased out within two years.

To address the concerns of certain small, developing country Members, a special procedure within the context of Article 27.4 of the Subsidies Agreement was adopted at the Fourth WTO Ministerial Conference in 2001. Under this procedure, developing country Members who met all the agreed-upon qualifications became eligible for annual extensions upon request for a five-year period through 2007, in addition to the two years referred to under Article 27.4. Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, the Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Uruguay made yearly requests for extensions under this special procedure when it was still in place.

Following a request for a further extension after the agreed upon five-year

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period, in 2007, the Subsidies Committee decided to recommend to the General Council a further extension of the transition period until 2013 under special procedures like those that had been in place previously. This recommendation included a final two-year phase-out period (ending in 2015) as provided for in Article 27.4 of the Subsidies Agreement. An important outcome of these negotiations, insisted upon by the United States and other developed and developing countries, was that the beneficiaries have no further recourse to extensions beyond 2015. The General Council adopted the recommendation of the Subsidies Committee in July 2007.\(^{28}\) (Attachment 3 contains a chart of all the programs for which extensions were granted previously).

In 2021, the United States continued its efforts to ensure that all extension recipients had either terminated the program at issue or were in the process of doing so. As agreed by Members in 2016, the WTO Secretariat circulated a report indicating the status of notifications and of actions reported by Members who were given extensions under Article 27.4 at the spring 2018 Subsidies Committee meeting.\(^{29}\)

**PERMANENT GROUP OF EXPERTS**

Article 24.3 of the Subsidies Agreement directs the Subsidies Committee to establish a Permanent Group of Experts (PGE) “composed of five independent persons, highly qualified in the fields of subsidies and trade relations.” The Subsidies Agreement articulates three roles for the PGE: (1) to provide, at the request of a dispute settlement panel, a binding ruling on whether a particular practice brought before that panel constitutes a prohibited subsidy within the meaning of Article 3 of the Subsidies Agreement; (2) to provide, at the request of the Subsidies Committee, an advisory opinion on the existence and nature of any subsidy; and (3) to provide, at the request of a Member, a “confidential” advisory opinion on the nature of any subsidy proposed to be introduced or currently maintained by that Member. To date, the PGE has not been called upon to fulfill any of these functions.

Article 24 further provides for the Subsidies Committee to elect experts to the PGE, with one of the five experts being replaced every year. The election to replace an expert whose term has expired is normally taken by the Subsidies Committee during its regular spring meeting in the year following the expiration.

At the beginning of 2019, the Permanent Group of Experts had five members: Mr. Ichiro Araki (Japan), Ms. Luz Elena Reyes de la Torre (Mexico); Mr. Jaemin Lee (Korea); Mr. Rabih Nasser (Brazil); and Ms. Marina Foleta (Moldova).

The term of Mr. Ichiro Araki expired in spring 2020 but the Committee was unable to reach a consensus on a replacement. In the spring of 2021, the term of Ms. Reyes de la Torre also expired. At the spring meeting of the Committee, it was approved that Ms. Tomoko Ota (Japan) filled the slot of Mr. Araki and that Mr.

\(^{28}\) WT/L/691.

\(^{29}\) RD/SCM/36/Rev.3.
Donald Orth (Canada) filled the slot of Ms. Reyes de la Torre.

COMMITTEE PROSPECTS FOR 2022

In 2022, the United States will ask questions on China’s 2021 subsidy notification and follow up on the answers to our questions received from China on its 2019 notification. The United States will also seek to continue the discussion of subsidy-induced overcapacity and the further development of disciplines to address this issue. More generally, the Subsidies Committee will continue to work in 2022 to improve the timeliness and completeness of Members’ subsidy notifications, including the notification of fisheries subsidies, and will continue to discuss the proposals made by the United States to improve and strengthen the Subsidies Committee’s procedures under Article 25.8 of the Subsidies Agreement and the procedures for review of subsidy notifications.

WTO DISPUTE SETTLEMENT

EUROPEAN COMMUNITIES AND CERTAIN MEMBER STATES – MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT (DS316)

On October 6, 2004, the United States requested consultations with the EU, as well as with Germany, France, the United Kingdom, and Spain, with respect to subsidies provided to Airbus, a manufacturer of large civil aircraft. The United States alleged that such subsidies violated various provisions of the Subsidies Agreement, as well as Article XVI:1 of the General Agreement on Tariffs and Trade 1994 (GATT 1994). Despite an attempt to resolve this dispute through the negotiation of a new agreement to end subsidies for large civil aircraft, the parties were unable to come to a resolution. As a result, the United States filed a panel request on May 31, 2005. The U.S. request challenged several types of EU subsidies that appeared to be prohibited, actionable, or both. A panel was established on July 20, 2005.

The panel issued its report on June 30, 2010. It agreed with the United States that the disputed measures of the EU, France, Germany, Spain, and the United Kingdom were inconsistent with the Subsidies Agreement, as detailed below:

- Every instance of “launch aid” provided to Airbus was found to be an actionable subsidy because, in each case, the terms charged for this unique low-interest, success-dependent financing were more favorable than would have been available in the market.
- Some of the launch aid provided for the A380, Airbus’s newest and largest aircraft, was found to be contingent on exports and, therefore, a prohibited subsidy.
- Several instances in which the German and French governments developed infrastructure for Airbus were found to be actionable subsidies because the infrastructure was not generally available and was provided for less than adequate remuneration by the government.
- Several government equity infusions into the Airbus companies were found to be subsidies because they were provided on more favorable terms than available in the market.
- Several EU and Member State research programs to develop new aircraft
technologies were found to provide actionable grants to Airbus.

• The subsidies found were determined to cause adverse effects to the interests of the United States in the form of lost sales, displacement of U.S. imports into the EU market, and displacement of U.S. exports into the markets of Australia, Brazil, China, Chinese Taipei, Korea, Mexico, and Singapore.

The EU appealed the ruling to the WTO Appellate Body. The Appellate Body issued its findings on May 18, 2011. The Appellate Body reversed the panel’s findings that certain launch aid was a prohibited export subsidy, but left intact most of the panel’s findings, including the recommendation that the EU take appropriate steps to remove the adverse effects or withdraw the subsidies. The Appellate Body report and the panel report, as modified by the Appellate Body report, were adopted by the Dispute Settlement Body (DSB) on June 1, 2011. The EU had until December 1, 2011 to bring itself into compliance with the adopted reports.

On December 1, 2011, the EU sent the United States a “Compliance Report” asserting that it had taken steps to address the subsidies and had thereby come into compliance with its WTO obligations. However, the United States believed the EU notification showed that the EU had not withdrawn the subsidies in question and had, in fact, granted new subsidies to Airbus’ development and production of large civil aircraft. On December 9, 2011, the United States requested consultations with the EU regarding the December 1, 2011, notification. The United States also requested authorization from the WTO DSB to impose countermeasures annually in response to the EU’s claim that it fully complied with the ruling in this case. The amount of the countermeasures would vary annually, but in a recent period preceding the request are estimated as having been in the range of $7-10 billion.

In early 2012, the United States and the EU agreed to a sequencing agreement under which the determination of the amount and imposition of any countermeasures would not occur until after WTO proceedings determining whether the EU has complied with its WTO obligations. The Arbitrator accordingly suspended its work. On March 30, 2012, the United States requested that a dispute settlement panel be formed to determine that the EU had failed to comply fully with its WTO obligations. The panel issued its report on the U.S. claims on September 22, 2016, finding that the EU and its member States had failed to come into compliance with the recommendations from the original proceedings:

• The EU claimed that it took 36 “steps” to comply with the WTO findings against it, but the panel concluded that 34 of the steps were “not ‘actions’ relating to the ongoing (or even past) subsidization,” and that the remaining two “steps” were insufficient.

• The panel reaffirmed the original panel’s findings that France, Germany, Spain, and the United Kingdom gave Airbus $15 billion in subsidized financing, along with subsidized capital contributions.

• The panel found the member States gave $4.8 billion in new subsidized financing to Airbus.

• The panel concluded that the collective effect of ongoing subsidies was to
deprive U.S. producers of billions of dollars of sales in the United States, Europe, Australia, China, India, Korea, Singapore, and the United Arab Emirates.

The EU appealed these findings on October 13, 2016. In May 2018, the appellate report confirmed that the EU and four member States failed to comply with the earlier WTO determination finding launch aid for the A380 aircraft to be inconsistent with their WTO obligations. The appellate report further confirmed that almost $5 billion in additional launch aid that Airbus received from EU member states for the A350 XWB was also WTO-inconsistent. The appellate report found that the WTO-inconsistent subsidies continue to cause significant lost sales of Boeing aircraft in the twin-aisle and very large aircraft markets and that these subsidies impede exports of Boeing 747 aircraft to numerous geographic markets.

On July 13, 2018, at the request of the United States, the arbitration regarding the level of countermeasures (suspended in January 2012) was resumed. On October 2, 2019, the arbitrator issued its decision that the level of countermeasures commensurate with the degree and nature of the adverse effects determined to exist is up to $7.5 billion annually.

On May 17, 2018, the EU represented to the DSB that it had taken new steps to achieve compliance with its WTO obligations. However, following consultations, the United States did not agree that the EU had achieved compliance. At the request of the EU, the WTO established a second compliance panel on August 27, 2018. The parties filed submissions in late 2018 and early 2019, and the second compliance Panel held a meeting with the parties on May 7-8, 2019.

On December 2, 2019, the second compliance panel issued its report. The panel found that the EU continued to be in breach of Articles 5(c) and 6.3(a), (b), and (c) of the SCM agreement, and that the EU and certain member States had accordingly failed to comply with the DSB recommendations under Article 7.8 of the SCM Agreement to “take appropriate steps to remove the adverse effects or ... withdraw the subsidy.” The panel agreed with the United States that none of the measures taken by the four EU member States amounted to a withdrawal of the launch aid for the A350XWB and A380. The panel also found that that launch aid for the A380 and A350XWB continue to be a genuine and substantial cause of lost sales to U.S. aircraft, and impedance of exports of U.S. aircraft to China, India, Korea, Singapore, and the United Arab Emirates.

On December 6, 2019, the EU notified the Dispute Settlement Body of its decision to appeal certain findings.

On June 15 and June 17, 2021, the United States reached understandings on cooperative frameworks with the EU and the UK, respectively, on the parallel aircraft disputes (DS316 and DS353). In accordance with the understandings, each side intends not to impose the WTO-authorized countermeasures for a period of 5 years starting from July 4, 2021. Each side also intends to provide any financing to its large civil aircraft producer (LCA producer) for the production or development of large civil aircraft on market terms. Additionally, each side intends to provide any funding for
research and development (R&D) for large civil aircraft to its LCA producer through an open and transparent process while making the results of fully government funded R&D widely available. A working group is also established under each framework to analyze and overcome any disagreements in the sector, including on any existing support measures. The working group will collaborate on jointly analyzing and addressing non-market practices of third parties that may harm their respective large civil aircraft industries.

UNITED STATES – MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT (DS353)

On October 6, 2004, the EU requested consultations with respect to “prohibited and actionable subsidies provided to U.S. producers of large civil aircraft.” The EU alleged that such subsidies violated several provisions of the Subsidies Agreement, as well as Article III:4 of the GATT 1994. Consultations were held on November 5, 2004. On May 31, 2005, the EU requested the establishment of a panel to consider its claims, and on June 27, 2005, filed a second request for consultations regarding large civil aircraft subsidies. This request addressed many of the measures covered in the initial consultations, as well as several additional measures that were not covered. The EU requested establishment of a panel regarding its second panel request on January 20, 2006.

The panel issued its report on March 31, 2011. It agreed with the United States that many of the EU’s claims were without merit. Particularly, the panel found that many of the U.S. practices challenged by the EU were not subsidies or did not cause adverse effects to the interests of the EU. However, the panel did find certain U.S. practices to be inconsistent with its WTO obligations. Specifically, certain NASA and Department of Defense research and development programs as well as certain state tax and investment incentives were found to be subsidies that caused adverse effects. The U.S. foreign sales corporation and extraterritorial income (FSC/ETI) tax exemptions were found to be prohibited export subsidies pursuant to previous WTO rulings. However, because those previous rulings already addressed the FSC/ETI exemptions, the panel refrained from making a recommendation in this case.

The EU filed a notice of appeal on April 1, 2011. The United States cross-appealed on April 28, 2011. The Appellate Body held two hearings on the issues raised in the appeal: the first on August 16-19, 2011, addressing issues related to whether certain U.S. practices were subsidies, and the second on October 11-14, 2011, focusing on the panel’s findings that the U.S. practices caused serious prejudice to EU interests. The Appellate Body issued its ruling in March 2012. The Appellate Body’s decision upheld or modified the panel’s findings regarding the federal research and development programs and state tax and investment incentives but curtailed some of the panel’s findings as to the adverse effects caused by those subsidies.

On September 23, 2012, the United States notified the EU and the WTO that it had modified the terms of research and development programs and otherwise operated its programs in a manner to comply with the WTO rulings. However, the EU did not agree with this assessment. Immediately thereafter, on September 25,
2012, the EU requested consultations with the United States over its compliance. Consultations were held on October 10, 2012. The very next day, October 11, the EU requested the formation of a dispute settlement panel by the WTO Dispute Settlement Body to determine whether the United States has complied with the rulings. The DSB formed a panel to hear the EU’s claim on October 23, 2012.

The compliance Panel circulated its report on June 9, 2017, with the following findings:

**Findings against the EU:**

- The EU alleged that DoD provided Boeing with funding and other resources worth $2.9 billion to conduct research that assisted Boeing’s development of large civil aircraft. The Panel rejected most of the EU claims for procedural reasons. It found that the remaining claims were worth less than $50 million, and that most of those programs were not subsidies. The Panel subsequently found the DoD funding to constitute subsidies did not cause adverse effects to Airbus.

- The EU alleged that the National Aeronautics and Space Administration (“NASA”) provided funding and resources to Boeing worth $1.8 billion. The Panel found that NASA research and development programs conferred subsidies, but that the total value was less than $200 million. It found that these subsidies did not cause adverse effects to Airbus.

- The EU alleged that the Federal Aviation Administration (“FAA”) provided funding and resources worth $28 million to Boeing. The Panel found that the FAA program in question was a subsidy and agreed that it was worth $28 million. However, it found that these subsidies did not cause adverse effects to Airbus.

- The EU alleged that Boeing received $51 million in tax benefits from 2007 through 2014 under the FSC/ETI program that Congress discontinued in 2006. The Panel found that there was no evidence that Boeing benefitted from this program in the 2007-2014 period.

- The EU asserted that the City of Wichita issued “industrial revenue bonds” in a way that gave Boeing tax subsidies. The Panel found that this program was a subsidy, but that it did not constitute a WTO breach because it was not “specific,” i.e., targeted toward particular entities or industries.

- The EU brought claims with respect to a number of Washington State programs. The Panel rejected one of the EU claims for procedural reasons. The Panel found that all of the remaining programs were subsidies. However, with one exception, the Panel found that these programs did not cause any adverse effects to Airbus.

- The EU alleged that several South Carolina programs worth a total of $1.7 billion caused adverse effects to Airbus. The Panel found that all but three of these programs either were not subsidies or were not “specific,” i.e., did not involve the type of targeting needed to establish a WTO inconsistency. Although it found that three South
Carolina programs, worth a total of $78 million, were subsidies, the Panel concluded that they did not cause adverse effects to Airbus.

Findings against the United States

• The EU argued that Washington State’s adjustment to its Business and Occupation (“B&O”) tax applicable to aerospace manufacturing foregoes revenue that could otherwise be collected from Boeing, making it a subsidy for WTO purposes. The Panel found that this program confers a subsidy on Boeing, worth an average value of $100-110 million per year during the period of review. The Panel further found that these subsidies cause adverse effects, but only with respect to certain sales of the Airbus A320 aircraft.

On June 29, 2017, the EU filed a notice of appeal on certain findings, and the United States filed a notice of other appeal on August 10, 2017. The Division assigned to hear the appeal consists of Mr. Peter Van den Bossche (Presiding Member), Mr. Thomas R. Graham, and Mr. Shree B.C. Servansing. Oral hearings before the Appellate Body took place in April and September 2018. On March 28, 2019, the Appellate Body circulated its report with the following relevant findings:

• The panel did not err in including DoD procurement contracts within its terms of reference, but the panel did not sufficiently engage with evidence and arguments regarding whether the funding conferred a benefit. However, there were insufficient factual findings by the panel or undisputed facts on the record for the Appellate Body to complete the analysis in this respect.

• The panel erred when considering whether revenue was “foregone” with respect to the FSC/ETI tax concessions by focusing on the conduct of eligible taxpayers rather than the government. The Appellate Body completed the legal analysis and found that the measure was inconsistent with the SCM Agreement to the extent that Boeing remains entitled to FSC/ETI tax concessions.

• The panel did not err in using the period following the end of the implementation period to assess whether the Wichita industrial revenue bonds were specific because of the granting of disproportionately large amounts of subsidy to certain enterprises, but the panel erred in finding that no disparity existed between the expected and actual distribution of the subsidy. However, there were insufficient factual findings by the panel or undisputed facts on the record for the Appellate Body to complete its legal analysis in this respect.

• The panel did not err in its interpretation of the term “limited number” of certain enterprises with respect to the specificity of the South Carolina economic development bonds, but the panel erred by excluding evidence as to the percentage of bonds by value used by certain enterprises from its evaluation of whether the subsidy was specific by reason of predominant use by certain enterprises. However, there were insufficient factual findings by the panel or undisputed
facts on the record for the Appellate Body to complete its legal analysis in this respect.

- The panel erred in the application of the term “designated geographical region” in assessing the specificity of the South Carolina MCIP job tax credits. The Appellate Body completed the legal analysis with respect to this and found that the subsidy was specific.

- The panel correctly found that the EU had failed to establish that there was a continuation of the original adverse effects of the pre-2007 aeronautics R&D subsidies into the post-implementation period in the form of present serious prejudice in relation to the A330 and A350XWB.

- The panel erred in its analysis of whether the technology effects of the pre-2007 aeronautics R&D subsidies in relation to certain U.S. aircraft continued into the post-implementation period, and therefore, the panel’s finding that the EU failed to establish that the pre-2007 R&D subsidies was a genuine and substantial cause of adverse effects to the A350XWB and A320neo in the post-implementation period was reversed. However, there were insufficient factual findings by the panel or undisputed facts on the record for the Appellate Body to complete its legal analysis in this respect, and there was no basis to conclude that the original adverse effects, in the form of technology effects, continued into the post-implementation period.

- The panel correctly found that the EU failed to establish that the tied tax subsidies cause adverse effects in the twin-aisle LCA market in the post-implementation period, but that there were adverse effects in the post-implementation period in the form of significant lost sales in the single-aisle LCA and in the form of threat of impedance of imports of Airbus single-aisle LCA in the U.S. and United Arab Emirates markets.

On September 27, 2012, the EU requested authorization from the DSB to impose countermeasures. On October 22, 2012, the United States objected to the level of suspension of concessions requested by the EU, referring the matter to arbitration pursuant to Article 22.6 of the DSU. On November 27, 2012, the United States and the EU each requested that the arbitration be suspended pending the conclusion of the compliance proceeding. On June 5, 2019, at the request of the European Union, the arbitration regarding the level of countermeasures was resumed. On October 13, 2020, the arbitrator issued its decision that the level of countermeasures commensurate with the degree and nature of the adverse effects determined to exist for the Washington B&O tax rate subsidy is up to approximately $4 billion annually. The arbitrator did not take account of Washington State’s elimination of the B&O tax rate subsidy on April 1, 2020.

On June 15 and June 17, 2021, the United States reached understandings on cooperative frameworks with the EU and the UK, respectively, on the parallel aircraft disputes (DS316 and DS353). In accordance with the understandings, each side intends not to impose the WTO-authorized countermeasures for a period of 5 years.
starting from July 4, 2021. Each side also intends to provide any financing to its large civil aircraft producer (LCA producer) for the production or development of large civil aircraft on market terms. Additionally, each side intends to provide any funding for research and development (R&D) for large civil aircraft to its LCA producer through an open and transparent process while making the results of fully government funded R&D widely available. A working group is also established under each framework to analyze and overcome any disagreements in the sector, including on any existing support measures. The working group will collaborate on jointly analyzing and addressing non-market practices of third parties that may harm their respective large civil aircraft industries.

UNITED STATES — COUNTERVAILING MEASURES ON CERTAIN HOT-ROLLED CARBON STEEL FLAT PRODUCTS FROM INDIA (DS436)

On April 24, 2012, India requested consultations concerning countervailing measures on certain hot-rolled carbon steel flat products from India. India challenged the Tariff Act of 1930, in particular sections 771(7)(G) regarding cumulation of imports for purposes of an injury determination and 776(b) regarding the use of “facts available.” India also challenged Title 19 of the Code of Federal Regulations, sections 351.308 regarding “facts available” and 351.511(a)(2)(i)-(iv), which relates to Commerce’s calculation of benchmarks. In addition, India challenged the application of these and other measures in Commerce’s CVD determinations and the USITC’s injury determination. Specifically, India argued that these determinations were inconsistent with Articles I and IV of the GATT 1994 and Articles 1, 2, 10, 11, 12, 13, 14, 15, 19, 21, 22, and 32 of the SCM Agreement. The DSB established a panel to examine the matter on August 31, 2012. The panel was composed by the Director General on February 18, 2013, as follows: Mr. Hugh McPhail, Chair; Mr. Anthony Abad and Mr. Hanspeter Tschaeni, Members.

The Panel met with the parties on July 9-10, 2013, and on October 8-9, 2013. The Panel circulated its report on July 14, 2014. The Panel rejected India’s claims against the U.S. statutes and regulations concerning facts available and benchmarks under Articles 12.7 and 14(d) of the Subsidies Agreement, respectively. It also rejected India’s “as such” claim regarding the U.S. statutory cumulation provision for five-year reviews but found that the statute governing cumulation in original investigations was inconsistent with Article 15 of the SCM Agreement because it required the cumulation of subsidized imports with dumped non-subsidized imports in the context of countervailing duty investigations.

Applying this reasoning, the Panel also found that the USITC acted inconsistently with Article 15.3 insofar as it cross-cumulated subsidized and dumped non-subsidized imports in the countervailing duty investigation of hot-rolled steel from India.

The Panel rejected all of India’s claims regarding consideration of economic factors under Article 15.4 of the SCM Agreement. The Panel also rejected India’s challenges under Article 1.1(a)(1) of the SCM Agreement to Commerce’s “public body” findings in two instances, as well as most of India’s claims with respect to Commerce’s application of facts available
under Article 12.7 in the determination at issue. The Panel also rejected most of India’s claims against Commerce’s specificity determinations under Article 2.1, and its calculation of certain benchmarks used in the proceedings under Article 14(d). The Panel found that Commerce’s determination that certain low-interest loans constituted “direct transfers” of funds was consistent with Article 1.1(a)(1), but that Commerce’s determination that a captive mining program constituted a financial contribution was not consistent with Article 1.1(a).

Finally, the Panel found that Commerce did not act inconsistently with Articles 11, 13, 21 and 22 of the SCM Agreement when it analyzed new subsidy allegations in the context of review proceedings.

On August 8, 2014, India appealed the Panel’s findings; on August 13, 2014, the United States also appealed certain of the Panel’s findings. The Appellate Body released its report on December 8, 2014.

The Appellate Body upheld the Panel’s findings regarding the U.S. benchmarks regulation but found that certain instances of Commerce’s application of these regulations were inconsistent with Article 14(d). The Appellate Body rejected India’s interpretation of “public body” under Article 1.1(a)(1), but reversed the Panel’s finding that Commerce acted consistently in making the public body determination at issue on appeal. Regarding specificity, the Appellate Body rejected each of India’s appeals under Article 2.1(c), as it did with respect to India’s challenge to the Panel’s finding under Article 1.1(a)(1)(i) relating to “direct transfers of funds.” The Appellate Body also reversed the Panel’s finding that Commerce had acted inconsistently with Article 1.1(a)(1)(iii) in finding that captive mining program constituted a provision of goods. Finally, the Appellate Body upheld the Panel’s rejection of India’s claims under Articles 11, 13 and 21 regarding new subsidy allegations. The Appellate Body reversed the Panel’s findings under Article 22 of the SCM Agreement but was unable to complete the analysis.

The Appellate Body found that the Panel had failed to conduct an objective examination of the U.S. cumulation statute, and the Appellate Body itself completed the analysis of this “as such” claim. The Appellate Body found that, for the most part, the U.S. cumulation statute is not inconsistent with the SCM Agreement. The Appellate Body found, however, that one subsection of the cumulation provision - 1677(7)(G)(i)(III) - is inconsistent with the SCM Agreement because it requires the USITC to assess cumulatively the effects of imports that are subject to simultaneous CVD investigations with the effects of imports that are subject to only AD investigations. That subsection would only apply however, if Commerce self-initiated an investigation on the same day that a petition was filed covering the same products. The USITC has never applied this subsection, however, because there are no instances in which the Commerce has taken action to trigger it.

The DSB adopted the Appellate Body report and the Panel report, as
modified by the Appellate Body report, on December 19, 2014.

At the DSB meeting held on January 16, 2015, the United States notified the DSB of its intention to comply with the recommendations and rulings and indicated it would need a reasonable period of time (RPT) to do so. On March 24, 2015, the United States and India informed the DSB that they had agreed on an RPT of 15 months, ending on March 19, 2016. At the United States’ request, India then agreed to a 30-day extension to April 18, 2016.

On March 7, 2016, the USITC issued a Section 129 determination in the hot-rolled steel from India CVD proceeding to comply with the findings of the Appellate Body. On March 18, 2016, Commerce issued its preliminary determination memos in the Section 129 proceedings, and on April 14, 2016, Commerce issued its final Section 129 determinations. On April 22, 2016, the United States informed the DSB that it had complied with the recommendations and rulings in this dispute.

On June 5, 2017, India requested consultations regarding the U.S. implementation. Despite consultations with the United States in July and October 2017, India continued to have concerns that the United States failed to implement the DSB’s recommendations and rulings in the underlying dispute. Consequently, in April 2018, India requested the establishment of a panel pursuant to Article 21.5 of the DSU. Subsequently on May 25, 2018, the WTO established a compliance panel to examine India’s challenges regarding the Section 129 determinations by Commerce and the USITC.

On November 15, 2019, the WTO dispute panel under Article 21.5 issued its public Final Report. The compliance Panel rejected the majority of India’s claims that the United States failed to bring its countervailing duty determination and injury determination into compliance. The United States prevailed on eight sets of claims, including on finding the National Mineral Development Corporation as a public body, rejection of in-country benchmarks, use of out-of-country benchmarks, the calculation of the benefit under the Steel Development Fund program, new subsidies, disclosure of essential facts, the “appropriateness” of exceeding a terminated domestic settlement rate, and all but one aspect of the injury determination. The compliance Panel found in favor of India on a certain aspect of specificity, and on one aspect of the USITC’s non-attribution analysis. The compliance Panel also found that the United States’ failure to amend the cumulation statute was inconsistent with the DSB recommendation concerning 19 USC § 1677(7)(G)(i)(III) made in the original proceedings of the dispute.

On December 18, 2019, the United States notified the Dispute Settlement Body of its decision to appeal issues of law covered in the report of the compliance Panel and legal interpretations developed by the compliance Panel. Because no division of the Appellate Body can be established to hear this appeal, the United States continues to confer with India so the parties may determine the way forward in this dispute.

UNITED STATES – COUNTERVAILING MEASURES ON CERTAIN PRODUCTS FROM CHINA (DS437)
On May 25, 2012, China requested WTO consultations with respect to 22 U.S. CVD investigations of Chinese imports conducted since 2008. Consultations were held on June 25 and July 18, 2012, which failed to resolve the dispute. On August 20, 2012, China requested the establishment of a WTO panel, and the Dispute Settlement Body established a panel at its September 28, 2012, meeting. In this dispute, China included claims related to the “public bodies” issue that were like those raised in *United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China* (DS379), and included claims related to export restraints, initiation standards, benchmarks, specificity, and the application of adverse facts available. After multiple submissions and two in-person meetings with the panel, on July 14, 2014, the panel found that with respect to the majority of issues, the challenged investigations were consistent with the United States’ WTO obligations. The panel did find, however, that Commerce’s public body determinations were inconsistent with the standards set forth by the Appellate Body in *United States — Definitive Anti-Dumping and Countervailing Duties on Certain Products from China* (DS379).

China appealed the panel’s findings with respect to the specificity of certain subsidies, benchmarks used by Commerce in four investigations, and Commerce’s application of facts available. The United States cross-appealed, arguing that the Panel made findings with respect to certain matters that were outside of its terms of reference. On October 16 and 17, 2014, the United States, China, and third participants presented arguments before the Appellate Body.

On December 18, 2014, the Appellate Body circulated its report. On benchmarks, the Appellate Body reversed the panel and found that Commerce’s determination to use out-of-country benchmarks in four CVD investigations was inconsistent with Articles 1.1(b) and 14(d) of the Subsidies Agreement. On specificity, the Appellate Body rejected one of China’s claims with respect to the order of analysis in *de facto* specificity determinations. However, the Appellate Body reversed the panel’s findings that Commerce did not act inconsistently with Article 2.1 of the Subsidies Agreement when it failed to identify the “jurisdiction of the granting authority” and “subsidy program” before finding the subsidy specific. On facts available, the Appellate Body accepted China’s claim that the panel’s findings regarding facts available were inconsistent with Article 11 of the DSU and reversed the panel’s finding that Commerce’s application of facts available was not inconsistent with Article 12.7 of the Subsidies Agreement. Lastly, the Appellate Body rejected the U.S. appeal of the panel’s finding that China’s panel request met the requirements of Article 6.2 of the DSU to present an adequate summary of the legal basis its claim sufficient to present the problem clearly.

The DSB adopted the reports of the panel and the Appellate Body on January 16, 2015.

China and the United States consulted in the months that followed in an effort to agree on the RPT for the United States to bring its measures into conformity with the DSB’s recommendations and rulings but could not reach agreement. On July 9, 2015, China requested that the WTO
appoint an arbitrator to determine the RPT. The parties filed written submissions and met with the arbitrator on September 9, 2015. On October 9, 2015, the arbitrator determined that the RPT would end on April 1, 2016, which was months shorter than the time period that the United States explained it needed to complete implementation.

In March 2016, Commerce completed its issuance of preliminary determinations in the proceedings under section 129 of the Uruguay Round Agreement Act and issued a schedule for public comment. For the public body, de facto specificity, and benchmark issues in all proceedings, and the land issue in three proceedings, Commerce’s ultimate determinations were the same as in the underlying investigations and the originally calculated CVD margins were unchanged. However, Commerce provided additional analysis and explanation supporting these determinations. With respect to three other proceedings pertaining to land, Commerce determined that some land use programs were not specific. Also, in the two proceedings pertaining to export restraints, Commerce determined not to initiate investigations into the export restraint programs. For the three proceedings involving these non-specific land programs and the two proceedings involving export restraints the revised CVD margins were lower.

On March 31, 2016, Commerce issued final determinations with respect to eight of the challenged CVD investigations and, on April 1, USTR directed Commerce to implement those determinations. Furthermore, because Commerce had already revoked one of the remaining CVD orders challenged in the WTO dispute, Commerce determined it had already brought its measure into conformity with respect to that investigation. In addition, Commerce determined that it had already withdrawn an approach determined by the DSB to be inconsistent “as such” with the Subsidies Agreement.

On April 26, 2016, Commerce issued its final determinations with respect to two of the remaining six CVD proceedings. On May 13, 2016, the Government of China (GOC) filed a consultation request at the WTO challenging all the section 129 determinations including those yet to be completed. On May 19, 2016, Commerce issued final determinations for the remaining CVD proceedings. On May 26, 2016, USTR directed Commerce to implement the completed final section 129 determinations in the remaining CVD proceedings. On June 9, 2016, Commerce published a Federal Register notice announcing the section 129 determinations. In June 2016, the United States informed the WTO that it had come into compliance in this dispute.

In July 2016, at China’s request, the WTO established a compliance panel to examine China’s challenge to the section 129 determinations. The compliance proceeding covered 15 investigations as well as 12 administrative reviews and 10 sunset reviews. There were four main issues in the compliance dispute, which concerned Commerce’s new methodologies for determining whether SOEs are “public bodies”, when to use out-of-country benchmarks, additional analyses regarding the specificity of input subsidies, and whether implementation should include additional periodic and sunset reviews and
so-called “ongoing conduct” (collection of duties and cash deposits).

The compliance panel conducted an in-person meeting in Geneva on May 10 and 11, 2017 and circulated its report to WTO members on March 19, 2018. Regarding public bodies, the United States prevailed on China’s “as applied” challenge to the public bodies determinations in the twelve challenged section 129 determinations. Although the panel disagreed with the United States and found Commerce’s May 2012 Public Bodies Memorandum to be a challengeable measure and of general/prospective application, the United States prevailed on China’s “as such” challenge to the memorandum. Regarding input specificity, the panel found that 11 section 129 determinations are inconsistent with Article 2.1(c) of the Subsidies Agreement. Regarding benchmarks, the panel rejected China’s interpretation of Article 14(d) of the Subsidies Agreement but found that Commerce’s factual findings did not support its use of out-of-country benchmarks in four section 129 determinations. The United States also prevailed on China’s claim that the use of out-of-country benchmarks in four section 129 determinations was inconsistent with Article 32.1 of the Subsidies Agreement.

Regarding the additional administrative and sunset reviews, the panel found the challenged reviews to be within its jurisdiction and concluded that the public body and input specificity determinations in nine administrative reviews were WTO-inconsistent. However, the United States prevailed on China’s challenge to the other determinations in the 12 administrative reviews at issue and prevailed on China’s claims regarding 10 sunset reviews. Finally, the United States prevailed on China’s “ongoing conduct” claim.

On April 27, 2018, the United States appealed certain findings of the compliance Panel regarding the Public Bodies Memorandum, Commerce’s benchmark and input specificity redeterminations, and whether certain Commerce determinations were within the compliance Panel’s terms of reference. On May 2, 2018, China appealed certain findings of the compliance Panel regarding Commerce’s redeterminations that certain state-owned enterprises were “public bodies”, the Public Bodies Memorandum, and the legal interpretation of Articles 1.1(b) and 14(d) of the SCM Agreement. The three persons hearing the appeal were Thomas R. Graham as Presiding Member, and Ujal Singh Battia and Shree B.C. Servansing. An appellate report was circulated on July 16, 2019. The appellate majority upheld the findings of the compliance Panel. The appellate report includes a lengthy dissent that calls into question the reasoning and interpretative analysis of the appellate majority and prior Appellate Body reports.

The DSB considered the appellate report and the compliance Panel report, as modified by the appellate report, at its meeting on August 15, 2019. The United States noted in its DSB statement that, through the interpretations applied in this proceeding, based primarily on erroneous approaches by the Appellate Body in past reports, the WTO dispute settlement system is weakening the ability of WTO Members to use WTO tools to discipline injurious subsidies. The Subsidies Agreement is not meant to provide cover for, and render untouchable, one Member’s policy of providing massive subsidies to its
industries through a complex web of laws, regulations, policies, and industrial plans. Finding that the kinds of subsidies at issue in this dispute cannot be addressed using existing WTO remedies, such as countervailing duties, calls into question the usefulness of the WTO to help WTO Members address the most urgent economic problems in today’s world economy. The United States noted specific aspects of the findings of the appellate report that are erroneous and undermine the interests of all WTO Members in a fair trading system, including erroneous interpretations of “public body” and out-of-country benchmark, diminishing U.S. rights and adding to U.S. obligations, engaging in fact-finding, and treating prior reports as “precedent.”

On October 17, 2019, China requested authorization to suspend concessions and other obligations pursuant to Article 22.2 of the DSU. On October 25, 2019, the United States objected to China’s request, referring the matter to arbitration pursuant to Article 22.6 of the DSU. On November 15, 2019, the WTO notified the parties that the arbitration would be carried out by the panelists who served during the compliance proceeding: Mr. Hugo Perezcano Diaz, Chair; and Mr. Luis Catibayan and Mr. Thinus Jacobsz, Members. The arbitration proceedings are ongoing, with a virtual hearing held in November 2020. As of the writing of this report, a decision from the Arbitrator is expected in early 2022.

UNITED STATES — CVD MEASURES ON SUPERCALENDERED PAPER FROM CANADA (DS505)

On March 30, 2016, Canada requested consultations with the United States to consider claims related to U.S. countervailing duties on supercalendered paper from Canada. Consultations between the United States and Canada took place in Washington, DC on May 4, 2016.

On June 9, 2016, Canada requested the establishment of a panel challenging certain actions of Commerce with respect to the CVD investigation and final determination, the CVD order, and an expedited review of that order. The panel request also presented claims with respect to alleged U.S. “ongoing conduct” or, in the alternative, a purported rule or norm, with respect to the application of adverse facts available in relation to subsidies discovered during the course of a CVD investigation.

Canada alleged that the U.S. measures at issue were inconsistent with obligations under Articles 1.1(a)(1), 1.1(b), 2, 10, 11.1, 11.2, 11.3, 11.6, 12.1, 12.2, 12.3, 12.7, 12.8, 14, 14(d), 19.1, 19.3, 19.4, 22.3, 22.5, 32.1 of the Subsidies Agreement; and Article VI:3 of the GATT 1994.

A panel was established in July 2016 and subsequently composed by the Director-General in August 2016. The panel held meetings with the parties in March and June of 2017.

On July 5, 2018, the panel publicly released its report. The panel sided with Canada on most issues, including Commerce’s determination to countervail the provision of electricity in the province of Nova Scotia for less than adequate remuneration. Most significantly, the panel found that the application of adverse facts available to subsidies discovered at verification constitutes “ongoing conduct,” which, the panel concluded, is inconsistent
with Article 12.7 of the Subsidies Agreement.

On July 12, 2018, Commerce rescinded the CVD order on supercalendered paper from Canada as part of a changed circumstances review because the domestic industry was no longer interested in the remedy provided by such an order. Notwithstanding revocation of the order, the United States appealed certain aspects of the panel report to the Appellate Body in August 2018. Specifically, the United States appealed the panel’s adverse finding of “ongoing conduct” related to the application of adverse facts available to subsidies discovered at verification.

On February 6, 2020, the Appellate Body upheld the panel’s adverse finding of “ongoing conduct” related to the application of adverse facts available to subsidies discovered at verification, although one Appellate Body Member issued a separate opinion casting doubt on the panel’s ability to define the precise content, repeated application, and likelihood of continued application of the “ongoing conduct” measure. That same Appellate Body Member also questioned whether there was an actual dispute between the parties because the CVD order on supercalendered paper from Canada, the only CVD proceeding involving Canada in the dispute, had been revoked in 2018.

At its meeting on March 5, 2020, the DSB considered the appellate and panel report, as modified by the appellate report. The United States noted in its DSB statement that there were serious procedural and substantive concerns with the report and objected to the adoption of the report as an Appellate Body Report. The United States explained that the report cannot be an Appellate Body report because an individual who served on the appeal is not a valid member of the Appellate Body given that the individual is affiliated with a government in breach of Article 17.3 of the DSU. The concern related to the individual’s service was further compounded because the appeal directly implicated the interests of that government. The United States also reiterated its concerns of ex-Appellate Body members’ continuation of service without authorization by the DSB, and the failure to adhere to the deadline in Article 17.5 of the DSU. Accordingly, the United States did not join in a consensus to adopt the reports that were before the DSB. The United States explained that because there was no valid Appellate Body report in this dispute, the reports could only be adopted by positive consensus. Because there was no consensus on adoption, the DSB did not validly adopt any reports in this dispute, and therefore there was no valid recommendation of the DSB with which to bring a measure into conformity with a covered agreement.

On June 18, 2020, Canada requested authorization to suspend concessions and other obligations pursuant to Article 22.2 of the DSU on grounds that the United States had failed to inform the DSB of its intention with respect to implementation of the recommendations and rulings in accordance with Article 21.3 or DSU or to propose a reasonable period of time comply. On June 26, 2020, the United States objected to Canada’s request, referring the matter to arbitration pursuant to Article 22.6 of the DSU. In August 2020, the WTO notified the parties that the arbitration would be carried
out by the original panelists who heard the dispute. The arbitration proceedings are ongoing with a virtual hearing held in September 2021. A decision from the arbitrator is expected in 2022.

UNITED STATES — CERTAIN MEASURES RELATING TO THE RENEWABLE ENERGY SECTOR (DS510)

On September 9, 2016, India requested WTO consultations regarding alleged domestic content requirement and subsidy measures maintained under renewable energy programs in the states of Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware, and Minnesota. India’s request alleges inconsistencies with Articles III:4, XVI:1 and XVI:4 of the GATT 1994, Article 2.1 of the TRIMS Agreement, Articles 3.1(b), 3.2, 5(a), 5(c), 6.3(a), 6.3(c) and 25 of the Subsidies Agreement. Consultations between India and the United States took place in Geneva on November 16-17, 2016.

India requested the establishment of a WTO panel to examine the challenged measures on January 17, 2017. A panel was established on March 21, 2017.

The panel circulated its report on June 27, 2019. The Panel found that certain measures maintained by the states of California, Massachusetts, Minnesota, and Washington were not within its terms of reference. With respect to the measures that the panel found to be within its terms of reference, the panel found that each of those measures were inconsistent with Article III:4 of the GATT 1994 because they accorded less favorable treatment to imported products as compared to like domestic products. The Panel exercised judicial economy on India’s claims under Articles 2.1 and 2.2 of the TRIMS Agreement and Articles 3.1(b) and 3.2 of the SCM Agreement.

On August 15, 2019, the United States notified the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report. On August 20, 2019, India notified the DSB of its decision to cross-appeal. On December 10, 2019, the Appellate Body Division in this appeal informed the parties that it had not completed its work on the appeal.

UNITED STATES — COUNTERVAILING MEASURES ON CERTAIN PIPE AND TUBE PRODUCTS FROM TURKEY (DS523)

On March 8, 2017, Turkey requested consultations with the United States concerning several CVD measures against Turkish steel products. Specifically, Turkey requested consultations regarding the following CVD proceedings: oil country tubular goods from Turkey; welded line pipe from Turkey; heavy walled rectangular welded carbon steel pipes and tubes from Turkey; and circular welded carbon steel pipes and tubes from Turkey.

After consultations failed to resolve the dispute, Turkey requested the establishment of a WTO panel to hear its claims. The panel was established on June 19, 2017.

Turkey challenges the following aspects of Commerce’s CVD determinations: (1) Commerce’s findings that two Turkish hot-rolled steel producers are “public bodies” capable of providing financial contributions under the SCM Agreement; (2) Commerce’s decision to use
out-of-country benchmarks for measuring the benefit from the provision of hot-rolled steel, and its alleged practice of frequently using out-of-country benchmarks; (3) Commerce’s determinations that the provision of hot-rolled steel is a specific subsidy under the SCM Agreement; and (4) several applications of facts available in the CVD proceedings at issue. Turkey also challenges the USITC’s cumulative assessment of the effects of subsidized imports with those of dumped, unsubsidized imports both “as such” and “as applied.”

The panel report was circulated in December 2018 and found against the United States on public body, specificity, the application of facts available, and cross-cumulation in original investigations. The panel rejected Turkey’s “as applied” and “as such” claim on benchmarks and on cumulation in five-year reviews.

On January 25, 2019, the United States notified the DSB of its decision to appeal the panel’s findings on its terms of reference, public body, specificity, the application of facts available, and cross-cumulation. On January 30, 2019, Turkey also notified the DSB of its decision to appeal on the issue of public body. The United States filed appellant and appellee submissions in January and February 2019. On December 10, 2019, the Appellate Body Division hearing this appeal informed the parties that it had suspended its work on the appeal.

UNITED STATES – COUNTERVAILING MEASURES ON SOFTWOOD LUMBER FROM CANADA (DS533)

On November 28, 2017, the Government of Canada filed two separate requests for WTO consultations regarding the final AD and CVD determinations in the softwood lumber investigations. Dispute settlement panels were subsequently established in both disputes on April 9, 2018.

In the CVD WTO dispute, Canada challenges various aspects of Commerce’s final determination related to stumpage and non-stumpage programs. Canada alleges that the U.S. measures at issue are inconsistent with Articles 1.1(a)(1), 1.1(b), 2.1(a), 2.1(b), 10, 11.2, 11.3, 14(d), 19.1, 19.3, 19.4, 21.1, 21.2, 32.1 and 32.5 of the Subsidies Agreement; and Article VI:3 of the GATT.

At the request of Canada, the WTO Director-General composed a panel in the CVD dispute on July 6, 2018.

On August 24, 2020, the panel hearing the CVD dispute circulated its final report, in which it ruled against the United States on most issues, including Commerce’s selection of benchmarks used to determine the adequacy of remuneration for stumpage (i.e., the right to harvest timber from government lands). In particular, the panel adopted Canada’s “regional markets” framework in interpreting the second sentence of Article 14(d) of the SCM Agreement. As a result, the panel concluded that it is not sufficient for an investigating authority to use as a benchmark a market-determined price from anywhere in the country of provision where evidence shows the prevailing market conditions for the government-provided good differ from the prevailing market conditions for the same or similar goods sold in other parts of the country of provision. In that scenario, an investigating authority is required to consider using, at
least as a starting point in its benefit assessment, a benchmark price resulting from the prevailing market conditions within that region, because that price would necessarily relate to the prevailing market conditions for the government-provided good. The Panel also made adverse findings regarding Commerce’s determination not to offset comparison results with “negative benefits” as well as Commerce’s finding of entrustment or direction with respect to log export restrictions in the Canadian province of British Columbia.

On September 28, 2020, the United States notified the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report. No division of the Appellate Body has been established to hear this appeal.

UNITED STATES – CERTAIN SYSTEMIC TRADE REMEDY MEASURES (DS535)

On December 20, 2017, Canada requested consultations with the United States concerning certain laws, regulations and practices that Canada claims are maintained by the United States in its AD and CVD proceedings. Specifically, Canada alleges that the United States: (1) fails to implement WTO-inconsistent findings by liquidating final duties in excess of WTO-consistent rates, and failing to refund cash deposits collected in excess of WTO-consistent rates; (2) retroactively collects provisional AD and CVD duties following preliminary affirmative critical circumstances determinations; (3) treats export controls as a financial contribution and improperly initiates investigations into and/or imposes duties; (4) improperly calculates the benefit in determining whether there is a provision of goods for less than adequate remuneration; (5) effectively closes the evidentiary record before the preliminary determination and fails to exercise its discretion to accept additional factual information; and (6) creates an institutional bias in favor of affirmative results in injury, threat of injury, or material retardation determinations due to the U.S. statutory provision treating a tie vote by the USITC Commissioners as an affirmative determination.

Canada claims these alleged measures are inconsistent with Articles VI (in particular, VI:2 and VI:3) and X:3(a) of the GATT 1994; Articles 1, 3.1, 6 (in particular, 6.1, 6.2, and 6.9), 7 (in particular, 7.4 and 7.5), 9 (in particular, 9.2, 9.3, 9.3.1, and 9.4), 10 (in particular, 10.1 and 10.6), 11 (in particular 11.1 and 11.2), 18 (in particular, 18.1 and 18.4) of the AD Agreement; Articles 1 (in particular, 1.1(a) and 1.1(b)), 10, 11 (in particular, 11.2, 11.3, and 11.6), 12 (in particular, 12.1 and 12.8), 14(d), 15.1, 17 (in particular, 17.3, 17.4, and 17.5), 19 (in particular, 19.1, 19.3 and 19.4), 20 (in particular, 20.1 and 20.6), 21 (in particular, 21.1 and 21.2), and 32 (in particular, 32.1 and 32.5) of the SCM Agreement, and Articles 21.1 and 21.3 of the DSU. The United States disagrees with every aspect of Canada’s wide-ranging challenge to U.S. laws, regulations, and approaches. Consultations between the United States and Canada occurred in February 2018.

UNITED STATES – ANTI-DUMPING AND COUNTERVAILING DUTIES ON CERTAIN PRODUCTS AND THE USE OF FACTS AVAILABLE (DS539)

On February 14, 2018, Korea requested consultations with the United States concerning certain AD and CVD
determinations involving various products from Korea, and certain laws, regulations and other alleged measures maintained by the United States with respect to the use of facts available in AD and CVD proceedings.

On April 16, 2018, Korea requested the establishment of a WTO dispute settlement panel regarding the use of facts available in various segments of the following investigations:

- **Anti-Dumping Duties on Certain Corrosion-Resistant Steel Products from the Republic of Korea** (investigation number A-580-878).
- **Anti-Dumping Duties on Certain Cold-Rolled Steel Flat Products from the Republic of Korea** (investigation number A-580-881).
- **Countervailing Duties on Certain Cold-Rolled Steel Flat Products from the Republic of Korea** (investigation number C-580-882).
- **Anti-Dumping Duties on Certain Hot-Rolled Steel Flat Products from the Republic of Korea** (investigation number A-580-883).
- **Countervailing Duties on Certain Hot-Rolled Steel Flat Products from the Republic of Korea** (investigation number C-580-884).
- **Anti-Dumping Duties on Large Power Transformers from the Republic of Korea** (investigation number A-580-867).

Korea alleged that the challenged measures are inconsistent with U.S. WTO obligations under various other provisions of the Anti-Dumping Agreement and the SCM Agreement.

In addition, Korea alleged that section 776 of the Tariff Act of 1930, codified at 19 U.S.C. § 1677e, as amended by section 502 of the Trade Preferences Extension Act of 2015, and the certain related legal provisions governing the use of facts available, are "as such" inconsistent with the Anti-Dumping Agreement and the SCM Agreement. Korea also challenged Commerce's "use of adverse facts available" as a purported "ongoing conduct, or rule or norm" when Commerce allegedly "selects facts from the record that are adverse to the interests of the foreign producers or exporters without (i) establishing that the adverse inferences can reasonably be drawn in light of the degree of cooperation received, and (ii) ensuring that such facts are the best information available' in the particular circumstances."

At its meeting on May 28, 2018, the DSB established a panel. Brazil, Canada, China, Egypt, the European Union, India, Japan, Kazakhstan, Mexico, Norway and the Russian Federation reserved their third-party rights. Following agreement of the parties, the panel was composed on December 5, 2018.

On January 21, 2021, the panel circulated its report to Members. Having examined the arguments and evidence presented by Korea — which were the same for both the “as such” and “ongoing conduct” of measures — the Panel found that Korea had failed to establish the existence of the alleged unwritten measures with the precise content alleged by it.
Korea also raised “as applied” claims pertaining to eight segments of various proceedings, including three anti-dumping and two countervailing duty investigations, on steel products, and three anti-dumping administrative reviews, on large power transformers. In the context of the countervailing duty investigations, Korea challenged Commerce’s resort to facts available and selection of replacement facts as inconsistent with Article 12.7 of the SCM Agreement. Korea’s claims pertained to the three subsidy programs in each investigation. The panel concluded that Commerce’s resort to facts available was inconsistent with WTO obligations with respect to determinations on five of the programs across both investigations, and with respect to the sixth that Commerce’s selection of replacement facts was inconsistent with WTO obligations. The panel also observed that Commerce failed to consider information submitted on the record by interested parties or did not consider whether the information was submitted within a reasonable period.

The United States notified the DSB of its decision to appeal certain issues of law to the Appellate Body on March 19, 2021. Korea took notice of the United States’ decision to appeal the panel report and, on March 25, 2021, notified the DSB that it considered all the procedural deadlines of the Appellate Body to be suspended, due to the Appellate Body’s non-functioning status. Korea also reserved its right to file its own appeal, and it indicated that it was awaiting instructions from the Appellate Body. No division of the Appellate Body has been established yet to hear this appeal.

Export subsidies provide an unfair competitive advantage to recipients, and WTO rules expressly prohibit them. As noted above, there is a limited exception to this rule for specified developing countries that may continue to provide export subsidies temporarily until they reach a defined economic benchmark. India was initially within this group, but it eventually surpassed the benchmark. Because India’s exemption has expired, India is expected to immediately withdraw its export subsidies, but to date India has not done so. In fact, India has expanded benefits under several of its export subsidies programs.

On March 14, 2018, the United States requested consultations with India with regard to certain prohibited export subsidy schemes. It appears that India continues to provide export subsidies through: (1) the Export Oriented Units Scheme and sector specific schemes, including Electronics Hardware Technology Parks Scheme and BioTechnology Parks Scheme, (2) the Merchandise Exports from India Scheme, (3) the Export Promotion Capital Goods Scheme, (4) Special Economic Zones, and (5) a duty-free imports for exporters program. The United States held consultations with India on April 11, 2018. Those consultations unfortunately did not resolve the dispute.

On May 17, 2018, the United States filed a request for the establishment of a Panel and submitted its first written and second written submission on September 20, 2018 and October 11, 2018, respectively. On February 12-13, 2019, the Panel held a substantive meeting with the parties, and on February 13, 2019, the Panel held a meeting with the third parties.

INDIA -- EXPORT RELATED MEASURES (DS541)
On October 31, 2019, the Panel released its final report where the United States prevailed on the vast majority of the issues. Specifically, the Panel found that India provided export subsidies through five schemes: EOU schemes; MEIS scheme; EPCG scheme; SEZ scheme; and DFIS scheme which were found to be inconsistent with the Subsidies Agreement and rejected India’s defenses. On November 19, 2019, India notified the DSB of its decision to appeal nearly every finding of the Panel. On November 28, 2019, the United States filed its appellee submission. Because no division of the Appellate Body can be established to hear this appeal, the United States continues to confer with India to seek a positive solution to this dispute.

UNITED STATES – CERTAIN MEASURES RELATED TO RENEWABLE ENERGY (DS563)

On August 2018, China requested consultations with the United States concerning certain measures allegedly adopted and maintained in the states of Washington, California, and Michigan in relation to alleged subsidies or domestic content requirements in the energy sector. China alleges that the measures appear to be inconsistent with United States’ obligations under Articles 3.1(b) and 3.2 of the Subsidies Agreement, Articles 2.1 and 2.2 of the Trade-Related Investment Measures (TRIMS Agreement), and Article III:4 of the General Agreement on Tariffs and Trade 1994 (GATT 1994). The United States and China held consultations in Geneva on October 23, 2018.

UNITED STATES – ANTI-DUMPING AND COUNTERVAILING DUTIES ON RIPE OLIVES FROM SPAIN (DS577)

On January 28, 2019, the EU requested consultations concerning the imposition of AD/CVDs on ripe olives from Spain. Consultations between the EU and the United States took place on March 20, 2019. After consultations failed to resolve the dispute, the EU requested the establishment of a panel on May 16, 2019. The EU’s panel request challenges several aspects of Commerce’s final CVD determination and the USITC’s injury determination.

With respect to Commerce’s CVD determination, the EU challenges: (1) Commerce’s determination that certain grants provided to olive growers pursuant to the Government of Spain’s implementation of the EU’s Common Agricultural Policy are de jure specific; (2) Commerce’s application of section 771B of the Tariff Act of 1930, as amended (codified at 19 U.S.C. § 1677-2), with respect to the processed agricultural product subject to the investigation (i.e., ripe olives) and the decision to deem countervailable subsidies provided to raw olive growers as though they were provided with respect to the manufacture, production, or exportation of ripe olives; and (3) Commerce’s calculation of the 27.02 percent subsidy rate for one of the three investigated ripe olive processors in Spain, which was subsequently used in the calculation of the 14.97 percent subsidy rate established for “all other” producers and exporters of ripe olives from Spain.

The EU alleges that Commerce’s determinations are inconsistent with Article VI:3 of the GATT 1994, and Articles 1.1(a), 1.1(b), 1.2, 2.1, 2.2, 2.4, 10, 12.1, 12.5, 12.8, 14, 19.1, 19.3, 19.4, and 32.1 of the SCM Agreement. In addition, the EU claims that
section 771B of the Tariff Act of 1930, as amended (codified at 19 U.S.C. § 1677-2), is “as such” inconsistent with Article VI:3 of the GATT 1994 and Articles 1.1(b), 10, 14, 19.1, 19.3, 19.4, and 32.1 of the SCM Agreement.

With respect to the USITC’s injury determination, the EU’s panel request alleges that the USITC’s injury determination is inconsistent with Articles VI:1, VI:2, and VI:3 of the GATT 1994, and Articles 15.1, 15.2, 15.5, and 22.5 of the SCM Agreement, as well as Articles 3.1, 3.2, 3.5, and 12.2.2 of the AD Agreement.

On June 24, 2019, the DSB established a panel to examine the EU’s claims. The panel was composed on October 18, 2019. The panel held virtual meetings with the parties in October 2020 and March 2021. On November 19, 2021, the panel publicly released its final report, in which it ruled against the United States with respect to the EU’s challenges to Commerce’s CVD determination.

First, although the panel agreed with the United States that Article 2.1(a) of the SCM Agreement does not exclude the possibility of grounding a finding of de jure specificity on the criteria or conditions governing the amount of the subsidy, the panel found certain aspects of Commerce’s examination of grants provided to Spanish olive growers to be inconsistent with Articles 2.1, 2.1(a), and 2.4 of the SCM Agreement, having concluded that it was not based on a reasoned and adequate explanation and not clearly substantiated on the basis of positive evidence.

Second, the panel concluded that section 771B of the Tariff Act of 1930, as amended (19 U.S.C. § 1677-2) is “as such” inconsistent with the United States’ obligations under Article VI:3 of the GATT 1994 and Article 10 of the SCM Agreement because it requires Commerce to presume that the entire benefit of a subsidy provided in respect of a raw agricultural product passes through to the downstream processed agricultural product, based on a consideration of the two factual circumstances prescribed in the statutory provision, without leaving open the possibility of taking into account any other relevant factors about the existence and extent of pass-through. For the same reason, the panel found the application of section 771B of the Tariff Act of 1930, as amended (19 U.S.C. § 1677-2) in the ripe olives investigation to be inconsistent with Article VI:3 of the GATT 1994 and Article 10 of the SCM Agreement.

And, third, the panel found that the United States acted inconsistently with: (i) Article 12.1 of the SCM Agreement by failing to notify interested parties that Commerce required purchase data for the volume of raw olives that were processed into ripe olives; (ii) Article 12.8 of the SCM Agreement by failing to disclose to interested parties that the volume raw olives processed into ripe olives were an essential fact under consideration; and (iii) Article VI:3 of the GATT 1994 by using purchase data that the record indicates represented total volume of raw olive purchases (and not limited to those raw olive purchases that were processed into ripe olives) in the calculation of the 27.02 percent subsidy rate for mandatory respondent Aceitunas Guadalquivir and, consequently, the 14.97 percent subsidy rate for “all other” producers and exporters of ripe olives from Spain.
The DSB adopted the panel’s final report during the meeting held on December 20, 2021.

FOREIGN CVD AND SUBSIDY INVESTIGATIONS OF U.S. EXPORTS

In 2021, USTR and Commerce helped to defend U.S. commercial interests in CVD investigations that involved exports of products from the United States.

CVD INVESTIGATION OF U.S. ETHANOL — COLOMBIA

On January 28, 2019, the Government of Colombia initiated a CVD investigation on imports of ethanol from the United States (there is no accompanying AD proceeding). The investigation was requested by the Colombian ethanol industry and is being conducted by Colombia’s Ministry of Commerce, Industry, and Tourism (MINCIT). Several federal government programs are being examined, as well as numerous state programs. On May 3, 2019, the Government of Colombia released its preliminary findings which included the investigation of 31 federal and state level aid programs. The provisional duties imposed were at 9.36 percent ad valorem. On April 30, 2020, MINCIT released its final determination, in which it found affirmative injury and countervailable subsidization for various USDA and state corn and ethanol programs. Colombia has imposed a final country-wide duty rate of $USD 0.06646 per kilogram on ethanol exported from the United States to Colombia, which will remain in place for two years.

CVD INVESTIGATION OF U.S. POLYPHENYLENE ETHER (PPE) — CHINA

On August 14, 2020, China announced the initiation of a CVD investigation of U.S. exports of polyphenylene ether (PPE) to China (an accompanying AD investigation was initiated on August 3). The investigation is being conducted by China’s Ministry of Commerce (MOFCOM) and over one hundred federal and state level programs are being examined, and are largely consistent with a prior MOFCOM investigation of U.S. chemical producers of N-propanol. On October 14, 2021, MOFCOM released its Preliminary Determination, finding that dozens of federal and state programs provided subsidy benefits to upstream oil and natural gas producers, and those benefits were deemed to have passed through to U.S. producers of PPE at an ad valorem subsidy rate of 17.7 percent. However, following the preliminary determination MOFCOM made certain changes to its methodology in the final determination, released on January 6, 2022, that resulted in de minimis calculated CVD rates of 0.9 percent ad valorem. Given that the final calculated rates for the U.S. respondent were de minimis, no CVD duties were imposed.

CVD INVESTIGATION OF U.S. GLYCOL ETHERS — CHINA

On September 14, 2020, China announced an investigation into U.S. exports of certain monoalkyl ethers of ethylene glycol and propylene glycol (glycol ethers) to China. On September 18, 2021, China released the preliminary determination in this case (the preliminary determination in an accompanying AD proceeding was issued on September 10). While over one hundred programs are being examined, only about half of these
programs were addressed in the preliminary determination. Many of these programs are the same programs at issue in the N-propanol, PPE, and PVC matters. These include several dozen federal and state government programs allegedly provided to upstream oil and natural gas producers which were determined to be countervailable in the preliminary determination. On January 10, 2022, MOFCOM released the final determination in this investigation, and continued to find that countervailable subsidies had been provided to U.S. producers of glycol ethers. MOFCOM calculated a final CVD rate of 16.8 percent \textit{ad valorem} for the U.S. respondent and all other companies that were not individually examined. However, despite the calculated rate and affirmative injury determination, MOFCOM decided temporarily not to impose CVD duties on U.S. imports of glycol ethers.

**CVD INVESTIGATION OF U.S. POLYVINYL CHLORIDE (PVC) – CHINA**

On September 25, 2020, China’s MOFCOM began a CVD investigation into U.S. exports of PVC. On September 8, 2021 MOFCOM issued final disclosures in the CVD and AD investigations where they found that there was no material injury to Chinese producers of PVC as a result of imports from the United States. While there is significant overlap between this case and the N-propanol, PPE, and glycol ethers cases, in which the vast majority of subsidy programs are alleged upstream subsidies to the oil and gas industries, the PVC case was unique in that MOFCOM issued a negative injury finding rather than a preliminary determination. Following the final disclosure, China terminated the investigation into PVC from the USA.

**EXPIRY REVIEW OF CVD MEASURES ON U.S. DISTILLER’S DRIED GRAINS WITH OR WITHOUT SOLUBLES (DDGS) — CHINA**

On January 11, 2022, MOFCOM initiated expiry reviews of its AD and CVD measures on imports of distiller’s dried grains with or without solubles (DDGS) from the United States. Should MOFCOM issue an affirmative determination, the existing duties on imports of DDGS from the U.S. may be continued. The existing AD duties on imports range from 42.2 to 53.7 percent, and the existing CVD duties range from 11.2 to 12.0 percent. The expiry review should be completed by January 11, 2023.

**U.S. MONITORING OF SUBSIDY-RELATED COMMITMENTS**

**WTO ACCESSION NEGOTIATIONS**

Countries and separate customs territories seeking to join the WTO must negotiate the terms of their accession with current Members. Typically, the applicant submits an application to the WTO General Council, which establishes a working party to review information regarding the applicant’s trade regime and to oversee the negotiations over WTO membership.

The economic and trade information reviewed by the working party includes the acceding candidate’s subsidies regime. Subsidy-related information is summarized in a memorandum submitted by the applicant detailing its foreign trade regime, which is supplemented and corroborated by independent research throughout the accession negotiation. USTR and Commerce, along with an interagency team,
review the compatibility of the applicant party’s subsidy regime with WTO subsidy rules. Specifically, the interagency team examines information on the nature and extent of the candidate’s subsidies, with emphasis on subsidies that are prohibited under the Subsidies Agreement. Additionally, an accession candidate’s trade remedy laws are examined to determine their compatibility with relevant WTO obligations.

U.S. policy is to seek commitments from accession candidates to eliminate all prohibited subsidies upon joining the WTO, and to not introduce any such subsidies in the future. The United States may seek additional commitments regarding other subsidies in a specific country that are of particular concern to U.S. industries.

In 2021, USTR and Commerce reviewed information regarding the accession of numerous countries including Uzbekistan, Sudan, Bosnia & Herzegovina, Curacao, and Timor Leste.

WTO TRADE POLICY REVIEWS

The WTO’s Trade Policy Review (TPR) mechanism provides USTR and Commerce with another opportunity to review the subsidy practices of WTO Members. The four largest traders in the WTO (the EU, the United States, Japan, and China) have been examined once every three years. The next 16 largest Members, based on their share of world trade, have been reviewed every five years. The remaining Members have been reviewed every seven years, with the possibility of a longer interim period for least-developed Members. For each review, two documents are prepared: a policy statement by the government of the Member under review and a detailed report written independently by the WTO Secretariat.

By describing Members’ subsidy practices, these reviews play an important role in ensuring that WTO Members meet their obligations under the WTO agreements, including the Subsidies Agreement. In reviewing these TPR reports, USTR and Commerce scrutinize the information concerning the subsidy practices detailed in the report, but also conduct additional research on potential omissions regarding known subsidies – especially prohibited subsidies – that have not been reported.

In 2021, USTR and Commerce reviewed the TPR reports of 17 Members, including Oman, Mauritius, Argentina, Korea, Singapore, Tonga, Mongolia, Nicaragua, Saudi Arabia, Qatar, Viet Nam, Kyrgyz Republic, China, Russia, Bahrain, Tajikistan, and Georgia. The United States posed numerous questions related to China’s industrial support programs and highlighted their distortion of international trade during China’s TPR.

CONCLUSION

China continues to be the most common source of dumped and subsidized imports into the United States. Both the number of cases filed in the United States and other countries, and the numerous strategies and tactics the Chinese government uses to implement its industrial and mercantilist policies in pursuit of a so-called “socialist market economy,” underscore the need to more closely monitor and counter China’s behavior, to consider how the subsidy rules could be
strengthened and to defend Commerce’s factual finding that China remains a nonmarket economy.

More broadly, the U.S. government will continue to focus its subsidy enforcement efforts on defending U.S. CVD actions to counteract injurious foreign government subsidization, pursuing several significant WTO dispute settlement cases, advocating for tougher subsidy disciplines in a variety of fora, pushing for greater transparency with respect to the support programs of foreign governments (especially in those sectors experiencing overcapacity, such as fisheries, steel, and primary aluminum), and closely monitoring the actions of all WTO Members to ensure adherence to the obligations set out in the Subsidies Agreement.

By actively working to address trade-distorting foreign government subsidies, the U.S. government’s subsidies enforcement program promotes a level playing field of competition, and contributes to the goals of expanding U.S. exports, advancing economic growth, and encouraging job creation. Notwithstanding the success of enforcement efforts to date, the U.S. government is reviewing options for how these efforts may be expanded and intensified. The establishment of the Center in 2017 and its continued growth is one example of these efforts.

Ultimately, a trading environment that is free from trade-distorting government subsidies will be more open and competitive, bringing significant economic benefits to American manufacturers, farmers, ranchers, workers, and consumers alike.
Fostering U.S. Global Competitiveness by Combating Unfair Foreign Subsidies
E&C’s Subsidies Enforcement Office is Here to Help

What are Unfair Foreign Subsidies and How Do They Affect American Companies and Workers?
U.S. companies--large and small--are increasingly selling American-made products in markets across the globe. When selling overseas, many companies find themselves at a disadvantage to foreign competitors who benefit unfairly from financial assistance from foreign governments. Such “subsidies” can take many forms, including:

- Export loans or loan guarantees at preferential rates
- Tax exemptions for exporters or favored companies or industries
- Assistance conditioned on the purchase of domestic goods
- R&D grants for the development and commercialization of new technologies

What is the Subsidies Enforcement Office and What Can It Do for You?
ITA’s Enforcement and Compliance (E&C) knows that U.S. exporters, manufacturers and workers can be highly successful in diverse industries and overseas markets when they can compete on a level playing field. However, it is clear that not all foreign companies or governments always play by internationally accepted rules. E&C’s Subsidies Enforcement Office (SEO) is committed to confronting foreign government subsidies and related trade barriers that impede U.S. companies’ and workers’ ability to expand into and compete fairly in these crucial markets. With a variety of resources and tools at its disposal, the SEO provides:

- A dedicated staff that continually monitors and analyzes foreign subsidies and intervenes, where possible and appropriate, to challenge harmful foreign subsidies.
- Resources to find information on a wide range of foreign government subsidy practices, including our online Subsidies Library.
- Counseling services to American companies on the tools available to address unfairly subsidized imports.
- Advice to U.S. companies whose exports are subject to foreign countervailing duty (anti-subsidy) actions and that takes an active role in such cases to defend U.S. interests.

What Other Remedies Are Available To Combat Unfair Foreign Subsidies?
In addition to the SEO services noted above, under the U.S. trade remedy laws and international trade rules if a foreign subsidy meets certain conditions, the U.S. government could take the following steps, where appropriate:

- Impose special duties (i.e., countervailing duties) on subsidized imports that are injuring U.S. industries.
- Challenge foreign subsidization through the dispute settlement system of the World Trade Organization.

What is the Next Step?
Contact the SEO if you believe subsidized imports are harming your company, or foreign subsidies or foreign countervailing duty proceedings are impeding your ability to export and compete abroad. SEO experts can evaluate the situation to determine what tools under U.S. law and international trade rules are available to effectively address the problem. Working together we can combat harmful foreign subsidies, to ensure that high quality, export-related jobs in the United States are created and preserved.

Subsidies Enforcement Office, E&C, Office of Policy, 1401 Constitution Ave., NW, Room 3713, Washington, DC 20230
Questions can be referred to Gregory Campbell at (202) 482-2239 or Gregory.Campbell@trade.gov
http://esel.trade.gov
THE ELECTRONIC SUBSIDIES ENFORCEMENT LIBRARY
[http://esel.trade.gov]

Main Features of the Webpage

Subsidies Enforcement Library
This is the gateway to the library. The visitor can click on the links under this heading to access information regarding subsidy programs that have been analyzed by Enforcement and Compliance staff in the course of CVD proceedings since 1980.

Published Since 2007 - This links to subsidy programs analyzed in the most recent CVD decisions since 2007. By clicking on this link, the visitor can access a search feature to find programs by entering terms or dates or selecting from a list of terms (such as country name), in various boxes where indicated. Clicking on the “search” button will execute a search based on the terms and dates selected and open a “search results page” displaying the relevant CVD decisions arranged in reverse chronological order from top to bottom. The visitor can then click on the decision title to access a copy of the decision for review.
Published Prior to 2007 - This links to subsidy programs analyzed in earlier CVD proceedings through 2007. The information is provided by country and then subdivided into various categories, based on the Department of Commerce’s finding in the proceeding. More detailed information about a program in a specific case can be easily found by clicking on the hyperlinked cite to the Federal Register notice, in which a complete description of the program and Commerce’s analysis is provided.

Home
This link will take the visitor back to the SEO homepage.

Overview
This links to the informational page found in Attachment 1 of this Report, which includes a general overview of the SEO as well as contact information.

FAQ
This link contains “frequently asked questions” that the visitor can consult for additional information regarding the SEO and the subsidies library.

Contact Us
This link will automatically open up an email form with the SEO’s email address, which the visitor can use to submit comments or questions. SEO staff aims to respond to all relevant queries within a week.

Subsidies Enforcement
This link opens to the SEO webpage where additional information and links are provided for other relevant material, such as the Subsidy Reports to Congress and the WTO Subsidies Agreement.
ATTACHMENT 3
## Programs Granted Extension Under Article 27.4 of the Subsidies Agreement

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