

PUBLIC DOCUMENT

DOC Investigation No. C-570-241
ITC Investigation Nos. 701-TA-__ and 731-TA-__
Total No. of Pages: 1967
Original Investigation
AD/CVD Operations
PUBLIC DOCUMENT

**BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION OF THE
U.S. DEPARTMENT OF COMMERCE
AND THE
U.S. INTERNATIONAL TRADE COMMISSION**

**COUNTERVAILING DUTY PETITION
VOLUME VII
CHINA**

**CERTAIN LINEAR HYDRAULIC CYLINDERS AND PARTS THEREOF FROM CANADA,
CHINA, INDIA, MEXICO, AND SOUTH KOREA**

**PETITIONERS:
HYDRAULIC CYLINDERS FAIR TRADE COALITION AND ITS INDIVIDUAL MEMBERS**

**MICHAEL T. KERWIN
WILLIAM H. CROW II
WILLIAM B. HUDGENS
LAURA BELTRAMI
SAMANTHA L. KINNEY
BENJAMIN NATHAN**

**GEORGETOWN ECONOMIC SERVICES LLC
670 Maine Avenue, SW, Suite 600
Washington, DC 20024
(202) 342-8400**

**R. ALAN LUBERDA
BROOKE M. RINGEL
JOSHUA R. MOREY
MELISSA M. BREWER
MATTHEW T. MARTIN**

**KELLEY DRYE & WARREN LLP
670 Maine Avenue, SW, Suite 600
Washington, DC 20024
(202) 342-8400**

Counsel to Petitioners

July 29, 2026

PUBLIC DOCUMENT

TABLE OF CONTENTS

	Page
I. IMPORTS OF CERTAIN LINEAR HYDRAULIC CYLINDERS AND PARTS THEREOF FROM THE PEOPLE’S REPUBLIC OF CHINA RECEIVE COUNTERAVAILABLE SUBSIDIES FROM THE CENTRAL, PROVINCIAL, AND LOCAL GOVERNMENTS IN CHINA	1
A. Introduction.....	1
B. Information Relating to Chinese Producers of Hydraulic Cylinders	2
C. Chinese Producers of Hydraulic Cylinders Benefit from Subsidies Conferred at All Levels of Government Pursuant to China’s Industrial Policies.....	2
D. Petitioners’ Efforts to Obtain Information Regarding the Hydraulic Cylinders Industry in China and Chinese Subsidy Programs	7
1. Petitioners Have Examined All Reasonably Available Information	7
2. Difficulty in Obtaining Information.....	9
3. Period of Investigation and Allocation Period for Non-Recurring Subsidies	10
II. SUBSIDY ALLEGATIONS	11
A. Preferential Financing.....	12
1. Policy Loans to the Hydraulic Cylinders Industry.....	12
a. Financial Contribution	16
b. Benefit.....	17
c. Specificity	17
2. Export Loans from Chinese State-Owned Banks	17
a. Financial Contribution	20
b. Benefit.....	20
c. Specificity	20

TABLE OF CONTENTS (CONTINUED)

	Page
3. Export Credits from Export-Import Bank of China.....	20
a. Export Seller's Credit	21
i. Financial Contribution	23
ii. Benefit.....	23
iii. Specificity	23
b. Export Buyer's Credit	23
i. Financial Contribution	24
ii. Benefit.....	24
iii. Specificity	24
B. Income Tax and Direct Tax Programs	25
1. Income Tax Reduction for High or New Technology Enterprises.....	25
a. Financial Contribution	26
b. Benefit.....	26
c. Specificity	26
2. Income Tax Deductions for Research and Development Expenses Under the Enterprise Income Tax Law	26
a. Financial Contribution	27
b. Benefit.....	27
c. Specificity	27
3. Additional Deduction for Equipment and Apparatus of High-Tech Enterprises	27
a. Financial Contribution	28
b. Benefit.....	28

TABLE OF CONTENTS (CONTINUED)

	Page
c. Specificity	28
C. Indirect Tax Programs.....	29
1. Import Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries	29
a. Financial Contribution	29
b. Benefit.....	30
c. Specificity	30
2. Additional VAT Deduction for Advanced Manufacturing Companies.....	30
a. Financial Contribution	31
b. Benefit.....	31
c. Specificity	31
D. Government Provision of Goods and Services for Less Than Adequate Remuneration.....	32
1. Provision of Steel Tubes for Less Than Adequate Remuneration	35
a. Financial Contribution	37
b. Benefit.....	38
c. Specificity	38
2. Provision of Steel Bars for LTAR	39
a. Financial Contribution	40
b. Benefit.....	40
c. Specificity	40
3. Provision of Hot-Rolled Steel Sheet for Less Than Adequate Remuneration.....	41

TABLE OF CONTENTS (CONTINUED)

	Page
a. Financial Contribution	42
b. Benefit.....	43
c. Specificity	43
4. Provision of Forged Steel Blanks for Less Than Adequate Remuneration.....	44
a. Financial Contribution	44
b. Benefit.....	45
c. Specificity	45
5. Provision of Hydraulic Parts for Less Than Adequate Remuneration.....	45
a. Financial Contribution	46
b. Benefit.....	47
c. Specificity	47
6. Provision of Electricity for Less Than Adequate Remuneration.....	47
a. Financial Contribution	50
b. Benefit.....	51
c. Specificity	51
7. Provision of Land for Less Than Adequate Remuneration in Special Economic Zones.....	51
a. Financial Contribution	53
b. Benefit.....	53
c. Specificity	54
E. Grant Programs	54

TABLE OF CONTENTS (CONTINUED)

	Page
1. Government Rewards and Subsidies for ‘Little Giant’ Enterprises.....	54
a. Financial Contribution	56
b. Benefit.....	56
c. Specificity	56
2. GOC and Sub-Central Government Subsidies for the Development of Famous Brands.....	56
a. Financial Contribution	58
b. Benefit.....	58
c. Specificity	58
3. Foreign Trade Development Grants.....	58
a. Financial Contribution	59
b. Benefit.....	59
c. Specificity	59
4. Export Assistance Grants.....	59
a. Financial Contribution	60
b. Benefit.....	60
c. Specificity	60
5. Grants for Energy Conservation and Emission Reductions.....	60
a. Financial Contribution	61
b. Benefit.....	62
c. Specificity	62
6. National Key Research and Development Program	62
a. Financial Contribution	63

TABLE OF CONTENTS (CONTINUED)

	Page
b. Benefit.....	63
c. Specificity	63
III. CONCLUSION AND REQUEST FOR INVESTIGATION	63

PUBLIC DOCUMENT

I. IMPORTS OF CERTAIN LINEAR HYDRAULIC CYLINDERS AND PARTS THEREOF FROM THE PEOPLE’S REPUBLIC OF CHINA RECEIVE COUNTERVAILABLE SUBSIDIES FROM THE CENTRAL, PROVINCIAL, AND LOCAL GOVERNMENTS IN CHINA

A. Introduction

This volume presents information reasonably available to Petitioners that the imports of certain linear hydraulic cylinders and parts thereof (“hydraulic cylinders”)¹ from the People’s Republic of China (“China”) are benefiting from countervailable subsidies within the meaning of section 771(5) of the Tariff Act of 1930, as amended (“the Act”). See 19 U.S.C. § 1677(5). The general information required by section 351.202 of the regulations of the U.S. Department of Commerce (“the Department” or “Commerce”) (19 C.F.R. § 351.202), and section 207.11 of the regulations of the U.S. International Trade Commission (“ITC” or “the Commission”) (19 C.F.R. § 207.11), can be found in Volume I of this Petition.

Pursuant to sections 701(a)(1) and (2) of the Act, the Department shall impose a countervailing duty on merchandise imported from a “Subsidies Agreement” country,² where the imported merchandise: (1) is produced or exported by manufacturers that benefit from countervailable subsidies, and (2) materially injures or threatens material injury to a domestic industry. See 19 U.S.C. § 1671(a)(1), (a)(2). Since 2007, the Department has consistently determined that the U.S. countervailing duty law may be applied to imports of merchandise produced in China.³ Further, legislation approved by the United States Congress and enacted by

¹ See Section I.E.2 of Vol. I for a description of the subject merchandise.

² As a member of the World Trade Organization (“WTO”), China is a country under the “Subsidies Agreement” as defined by 19 U.S.C. § 1671(b).

³ See, e.g., Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Coated Free Sheet from the People’s Republic of China, at Comment 1 (Oct. 17, 2007) (ACCESS Barcode 4737769-01) (“CFS I&D Memo”), ref’d in 72 Fed. Reg. 60,645, 60,646 (Dep’t Commerce Oct. 25, 2007) (final determination); Issues and Decision Memorandum (cont’d on next page)

PUBLIC DOCUMENT

the President explicitly authorizes the application of the countervailing duty law to non-market economy countries, including China.⁴ Importantly, this legislation has withstood judicial review in the United States and has not been found to be inconsistent with World Trade Organization (“WTO”) rules.⁵ The Department, therefore, should initiate a countervailing duty (“CVD”) investigation on imports of hydraulic cylinders from China.

B. Information Relating to Chinese Producers of Hydraulic Cylinders

Petitioners have identified known Chinese producers of the subject merchandise and have provided the names and addresses of those companies in **Exhibit GEN-5** of Volume I of this Petition. Petitioners believe these producers have benefitted from one or more countervailable subsidies provided by the Government of China (“GOC”). Indeed, as detailed below, publicly available information demonstrates Chinese producers of hydraulic cylinders have availed themselves of these countervailable subsidy programs. Accordingly, remedial action by the Department is required.

C. Chinese Producers of Hydraulic Cylinders Benefit from Subsidies Conferred at All Levels of Government Pursuant to China’s Industrial Policies

A fundamental element of China’s focused efforts to become a leading international economic power has been the Chinese government’s extensive industrial policies that direct and manage the country’s economic and industrial development. The Chinese authorities’ economic

for the Final Determination in the Countervailing Duty Investigation of Citric Acid and Certain Citrate Salts from China, at Comment 1 (Apr. 6, 2009) (ACCESS Barcode 4741304-01) (“Citric Acid OI I&D Memo”), ref’d in 74 Fed. Reg. 16,836 (Dep’t Commerce Apr. 13, 2009) (final determination).

⁴ See An Act to Apply the Countervailing Duty Provisions of the Tariff Act of 1930 to Nonmarket Economy Countries, and for Other Purposes, enacted on Mar. 13, 2012, Pub. L. No. 112-99, 126 Stat. 265 (2012) (codified at 19 U.S.C. §§ 1671, 1677f-1).

⁵ See GPX Int’l Tire Corp. v. United States, 678 F.3d 1308 (Fed. Cir. 2012); see also Appellate Body Report, United States—Countervailing and Anti-Dumping Measures on Certain Products from China, WT/DS449/AB/R (July 7, 2014).

PUBLIC DOCUMENT

decision-making process, as well as many of their decisions regarding the provision of subsidies, are guided by a comprehensive set of industrial policies that defines which industries, enterprises, and products should be targeted for preferential support and controlled by the government. For example, the U.S. Trade Representative's ("USTR") Section 301 report found that the GOC "has issued a large number of industrial policies, including more than 100 five-year plans, science and technology development plans, and sectoral plans over the last decade" in support of its industrial development objectives.⁶

Chinese industrial policies are formulated at a high-level through central government Five-Year Plans and overall economic guidance documents, and the policies cascade downward through the entire economy via the issuance of industry- and location-specific planning and guidance documents that contain more detailed instructions, while still conforming to the national plans and guidance. Implementation of the plans is then carried out through a broad array of policy mechanisms that includes direct grants, equity investments by state-owned enterprises ("SOE") and government guidance funds, provision of underpriced inputs by SOEs, and access to credit at below-market rates.⁷ For more than two decades, a key component of Chinese industrial policy has been to support and control key industrial sectors that the Chinese government considers to be critical to China's overall economic prosperity and social stability.⁸ The Chinese government's

⁶ See "Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974," Office of the United States Trade Representative (Mar. 22, 2018), at 10. **Exhibit CVD-CN-1.**

⁷ See "Red Ink Estimating Chinese Industrial Policy Spending in Comparative Perspective," Center for Strategic and International Studies, at 11, 50-51 (May 2022). **Exhibit CVD-CN-2.**

⁸ See, e.g., "Tenth 5-Year Plan of Industrial Structure Adjustment Published," People's Daily Online (Nov. 20, 2001) (describing the fourteen industries, including the steel industry, considered as critical to Chinese economic development). **Exhibit CVD-CN-3.**

PUBLIC DOCUMENT

position was explained succinctly by former Party General Secretary Jiang Zemin in 1997 at the 15th National Congress of the Communist Party Central Committee:

The dominant position of public ownership should manifest itself mainly as follows: Public assets dominate in the total assets in society; the state-owned sector controls the life-blood of the national economy and plays a leading role in economic development. This is the case for the country as a whole We should make a strategic readjustment of the layout of the state-owned sector of the economy. The state-owned sector must be in a dominant position in major industries and key areas that concern the life-blood of the national economy. But in other areas, efforts should be made to reorganize assets and readjust the structure so as to strengthen the focal points and improve the quality of the state assets as a whole. On the premise that we keep public ownership in the dominant position, that the state controls the life-blood of the national economy and that the state-owned sector has stronger control capability and is more competitive, even if the state-owned sector accounts for a smaller proportion of the economy, this will not affect the socialist nature of our country.⁹

In December 2006, a senior Chinese official reiterated the government's intention to support pillar and backbone industries and, in particular, to maintain strong state control over "the key sectors critical to national security and the economic lifeline of China," which include the "iron and steel" sector.¹⁰ The president of the State-owned Assets Supervision and Administration Commission ("SASAC") explained that "Central SOEs should . . . become heavyweights" in these "strategically important sectors" and that "State capital can be channeled to priority industries and retreat from non-essential areas."¹¹

⁹ See Jiang Zemin's Report at the 15th National Congress of the Communist Party Central Committee (1997), at 11 (emphasis added). **Exhibit CVD-CN-4.**

¹⁰ See "China Names Key Industries for Absolute State Control," at 1 and 2, China Daily (Dec. 19, 2006). **Exhibit CVD-CN-5.**

¹¹ Id.

PUBLIC DOCUMENT

The Chinese government continues to rely on SOEs to implement its industrial development policies. As the Department analyzed and found,

This is due to the continued use of SIEs {state-invested enterprises} as government policy instruments as the government (Party-state) carries out its constitutional mandate to uphold the socialist market economy and ensure a leading role for the state sector. Recent policy documents and developments on the ground make clear that the ultimate goal of state sector reform is to improve the productivity and efficiency of SIEs and to tighten, not loosen, government (Party-state) control over them. SIEs therefore remain extensions and policy instruments of the government in the commercial sphere, and the factual findings underlying the *2012 Public Bodies Analysis* remain a valid basis for continuing Commerce's current practice of treating certain SIEs as public bodies for CVD purposes.¹²

Thus, GOC-owned enterprises, including banks and input producers, provide direct assistance to the hydraulic cylinders industry to encourage production, as detailed below.

The “Decision of the State Council on Promulgating and Implementing the ‘Temporary Provisions on Promoting Industrial Structure Adjustment No. 40’” (“Decision No. 40”) calls for providing financing and other benefits to critical industries.¹³ Decision No. 40 specifically referenced the “Guidance Catalogue for the Industrial Structure Adjustment” as “the important basis for guiding investment directions” and for the government “to formulate and enforce policies on public finance, taxation, credit, land, import and export, etc.”¹⁴ In determining which projects to support, Decision No. 40 used the classifications from the industrial catalogue – in which potential projects are categorized as being either “encouraged,” “restricted,” or “eliminated” –

¹² Memorandum to Gary Taverman re: Update of the 2012 Public Bodies Analysis of State-Invested Enterprises in China for Countervailing Duty Purposes, at 2-3 (Feb. 27, 2019) (“Public Bodies Update”) (internal citations omitted). **Exhibit CVD-CN-6.**

¹³ See “Decision of the State Council on Promulgating and Implementing the ‘Temporary Provisions on Promoting Industrial Structure Adjustment No. 40’” (2005) (“Decision No. 40”). **Exhibit CVD-CN-7.**

¹⁴ See id. at Article 12.

PUBLIC DOCUMENT

noting that “encouraged projects should be supported by policies and measures, including financing.”¹⁵ The Catalogue for Guiding Industry Restructuring (2019 Version) explicitly references development of “key parts and components of tractors,” including “hydraulic cylinders, various valves and hydraulic delivery valves, and other closed hydraulic systems” as an “encouraged” activity in the machinery sector.¹⁶ Hydraulic excavators and tunnel boring machines also are “encouraged” for development.¹⁷

Further, Decision No. 40 indicates that the “Guidance Catalogue for the Foreign Investment Industries” would serve as the basis to implement parallel recommendations for foreign-funded enterprises.¹⁸ The 2022 edition of the Catalogue of Industries Encouraged for Foreign Investment classifies hydraulic harvesters, along with integrated hydraulic valves and components, as encouraged.¹⁹ The catalogue also designates select industries for development on a provincial basis, including “hydraulic technology system and mold production” in Shanxi Province, “electric forklifts, hydraulic excavators over 30 tons and their parts” in Anhui Province, and “hydraulic pipe industry production, research and development, and testing” in Henan Province.²⁰ Hydraulic cylinders producers, therefore, benefit from designation as an “encouraged” industry.

¹⁵ See id. at Articles 13, 14, and 17.

¹⁶ See Catalogue for Guiding Industry Restructuring (2019 Version), Order of the National Development and Reform Commission (No. 29) (Oct. 30, 2019) (“2019 Catalogue for Guiding Industry Restructuring”), at 53. **Exhibit CVD-CN-8.**

¹⁷ See id. at 55.

¹⁸ See Decision No. 40 at Article 12. **Exhibit CVD-CN-7.**

¹⁹ See “Catalogue of Industries Encouraged for Foreign Investment (2022 Edition)” (“Catalogue of Industries Encouraged for Foreign Investment”), at Category 17, subheading 151, Category 18, subheading 204. **Exhibit CVD-CN-9.**

²⁰ See id. at Shanxi Province, Category 23, Anhui Province, Category 21, Henan Province, Category 15.

PUBLIC DOCUMENT

In fact, the Department has previously found the GOC to provide countervailable subsidies to Chinese manufacturers of equipment, machinery, and component parts therein.²¹ Publicly-available information indicates that hydraulic cylinders producers have benefitted from similar assistance, warranting investigation by the Department.

D. Petitioners' Efforts to Obtain Information Regarding the Hydraulic Cylinders Industry in China and Chinese Subsidy Programs

1. Petitioners Have Examined All Reasonably Available Information

Consistent with the statutory and regulatory provisions setting forth requirements for a countervailing duty petition, this petition presents all information reasonably available to Petitioners concerning possible countervailable subsidies available to and bestowed on producers of the subject merchandise in China. See 19 U.S.C. § 1671a(b)(1); 19 C.F.R. § 351.202 (setting forth the “reasonably available” standard). The Department has explained that the “reasonably available” standard is satisfied when a Petitioner has consulted:

all available sources including libraries, embassies, and Department of Commerce (DOC) Central Records Unit (Room B-099). In order to demonstrate that all available sources were sought, Petitioner should describe in detail its methodology in seeking the required information.²²

²¹ See, e.g., Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Gas Powered Pressure Washers from the People's Republic of China (Dec. 18, 2023) (ACCESS Barcode 4480066-02) (“Pressure Washers I&D Memo”), ref'd in 88 Fed. Reg. 88,578 (Dep't Commerce Dec. 22, 2023) (final determination); Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Certain Walk-Behind Snow Throwers and Parts Thereof from the People's Republic of China (Mar. 21, 2022) (ACCESS Barcode 4224776-02), ref'd in 87 Fed. Reg. 17,987 (Dep't Commerce Mar. 29, 2022) (final determination); Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Certain Mobile Access Equipment and Subassemblies Thereof from the People's Republic of China (Oct. 12, 2021) (ACCESS Barcode 4171467-02) (“Mobile Access Equipment I&D Memo”), ref'd in 86 Fed. Reg. 57,809 (Dep't Commerce Oct. 19, 2021) (final determination).

²² See International Trade Administration, Department of Commerce, Form ITA-366P, “Format for Requesting Petition Relief Under U.S. Countervailing Duty Law”; see also Format for Petition (cont'd on next page)

PUBLIC DOCUMENT

Notably, a Petitioner does not have to prove at the outset that a subsidy allegation will be confirmed during the course of the investigation, nor does the petition have to establish that a potentially countervailable subsidy actually has been used for a subsidy allegation to be included in an investigation.

This petition has been prepared in accordance with the Department's guidelines and requirements. In developing the subsidy allegations set forth below, Petitioners examined all information reasonably available from public sources concerning possible subsidies to the production of hydraulic cylinders in China. This information includes:

- (1) previous Department of Commerce countervailing duty determinations and other countervailing duty proceedings (i.e., Federal Register notices and information from case dockets contained in the Central Records Unit) covering the country, subject merchandise, and/or producers included in this petition;
- (2) articles and news reports addressing the producers, industries, and country in question available through the World Wide Web and online data services;
- (3) where available, publicly-available financial information for the subject producers, industries, and country at issue in this Petition;
- (4) previous countervailing duty petitions concerning merchandise produced in China; and
- (5) where available, documents from government agencies concerning producers of the subject merchandise, industries in China, and the alleged subsidy programs.

The names, addresses, and other contact information for the Chinese producers of the subject merchandise appear in **Exhibit GEN-5** of Volume I of this petition. Petitioners believe that these companies have benefitted from one or more of the countervailable subsidies alleged below.

Requesting Relief Under U.S. Countervailing Duty Law, 68 Fed. Reg. 56,815 (Dep't Commerce Oct. 2, 2003) (request for comments).

2. Difficulty in Obtaining Information

Notwithstanding the extensive amount of material reviewed in preparing this petition, information sufficient to calculate an ad valorem subsidy rate is not reasonably available to Petitioners. Petitioners have undertaken an extensive search of all information reasonably available that documents countervailable subsidies provided by the central, provincial, and local governments of China and identifies the structure and nature of the Chinese hydraulic cylinders industry. While the subsidy allegations presented in this petition satisfy the countervailing duty statute and the Department's regulations, obtaining evidence of the nature and amount of assistance received by specific Chinese producers has been complicated and made particularly challenging by the Chinese government's lack of transparency and the lack of publicly-available information in China.

Many of the subsidies benefiting producers in China are handled internally and are sui generis in nature, making them almost impossible to trace. Since joining the WTO in 2001, China has yet to provide a complete notification of subsidies maintained by central and sub-central governments to the WTO.²³ Moreover, the U.S. Trade Representative ("USTR") has noted the persistent lack of transparency in China, finding the Chinese government "only publishes trade-related measures from some, but not all, central-government entities" and does not publish any such measures issued by sub-central governments.²⁴ USTR has also observed that the GOC "rarely

²³ See "2024 National Trade Estimate Report on Foreign Trade Barriers," Office of the United States Trade Representative (Mar. 2024), at 76 ("While China has continued to notify some sub-central government subsidies in its more recent subsidy notifications, these notifications are woefully inadequate and do not address the most distortionary sub-central government subsidies, such as the increasingly prolific, and very large, 'government guidance funds' that can be found at all levels of government in China."). **Exhibit CVD-CN-10.**

²⁴ Id. at 92.

PUBLIC DOCUMENT

publishes” information on subsidy measures in its official journal.²⁵ Publicly-available information on Chinese subsidy programs, therefore, is limited.

Moreover, rarely do individual Chinese producers publish itemized information in their annual reports or other financial publications in a manner that would allow Petitioners to calculate actual program benefits. Information concerning the amount of a company’s sales over which to allocate a subsidy benefit is also generally unavailable. Given these limitations as well as the complexities involved in determining where and how subsidies originate and apply with respect to industries in China, Petitioners are unable to quantify countervailable benefits or program-specific CVD rates. Nevertheless, whenever possible, Petitioners have provided factual information that gives a reasonable indication of the value of the subsidy to producers or exporters of the subject merchandise.

3. **Period of Investigation and Allocation Period for Non-Recurring Subsidies**

Based on the Department’s well-established practice, the period of investigation (“POI”) in this proceeding should be January 1, 2025, through December 31, 2025.²⁶ Petitioners’ allegations relate to benefits received during that year, as well as to non-recurring benefits received during a broader time period prior to January 1, 2025. Consistent with the Department’s practice of allocating non-recurring subsidies over time, these earlier subsidies also benefitted the subject merchandise during the POI.

For non-recurring subsidies, the allegations in this petition presume a 10-year allocation period in accordance with the guidelines of the Internal Revenue Service (“IRS”) for depreciating

²⁵ Id.

²⁶ See 19 C.F.R. § 351.204(b)(2).

PUBLIC DOCUMENT

business or income-producing property. Specifically, the IRS assigns an average useful life (“AUL”) of 10 years to productive assets employed in the “manufacture of electrical and non-electrical machinery and other mechanical products,” including assets used in the production of “assets used to manufacture or rebuild finished machinery and equipment and replacement parts thereof such as machine tools, general industrial and special industry machinery, electrical power generation, transmission, and distribution systems, . . . farm and garden machinery, construction machinery, mining and oil field machinery,” i.e., a classification that would include production of hydraulic cylinders.²⁷ The Department, therefore, should include in its investigation any countervailable subsidies potentially provided to Chinese hydraulic cylinders producers during the period January 1, 2016 through December 31, 2025.

II. SUBSIDY ALLEGATIONS

Petitioners allege that the following subsidies – provided by the Chinese national, provincial, and local governments – confer countervailable benefits to Chinese hydraulic cylinders producers within the meaning of section 771(5) of the Act (19 U.S.C. § 1677(5)) and request that the Department initiate an investigation of these subsidies to determine whether the imposition of countervailing duties is warranted.

In addition, Petitioners reserve the right to supplement these subsidy allegations or make new allegations, as information becomes available during the course of the investigation, consistent with the Department’s regulations. See 19 C.F.R. §§ 351.301(c)(2)(iv)(A), (C) (allowing new subsidy allegations no later than 40 days before the preliminary determination and

²⁷ See U.S. Internal Revenue Service, “How to Depreciate Property” (Pub. 946 Cat. No. 13081F) (Mar. 17, 2025), at Table B-2: Table of Class Lives and Recovery Periods, Asset Class 35.0 (describing the “Class Life” for the “Manufacture of Electrical and Non-Electrical Machinery and Other Mechanical Products”). **Exhibit CVD-CN-11.** See also 19 C.F.R. § 351.524(d)(2).

PUBLIC DOCUMENT

upstream subsidy allegations no later than 60 days after the preliminary determination); 19 C.F.R. § 351.311 (requiring the Department to investigate subsidies discovered during the course of an investigation).

A. Preferential Financing

1. Policy Loans to the Hydraulic Cylinders Industry

The Department has determined in various CVD investigations that certain Chinese industries, including the equipment and machinery industry, receive policy loans.²⁸ The Department has based these determinations on substantial evidence including GOC statements in industrial planning documents, such as five-year plans, promulgated by central, regional, and local governments. These planning documents demonstrate the Chinese hydraulic cylinders industry has benefitted from government-directed policy lending.

The “Guidelines of the 13th Five-Year (2016-2020) Plan for the National Economic and Social Development of the People’s Republic of China” (“13th Five-Year Plan”) sought to “strengthen the foundations of industry by working to break through bottlenecks in four areas.”²⁹ One of the identified bottlenecks related the manufacturing equipment and technology used in both industries and agriculture.³⁰ To remedy limitations, the Plan promised “to implement the high-end

²⁸ See, e.g., Decision Memorandum for the Preliminary Determination in the Countervailing Duty Investigation of Certain Mobile Access Equipment and Subassemblies Thereof from the People’s Republic of China, at 39-41 (July 26, 2021) (ACCESS barcode 4146663-02) (“Mobile Access Equipment Prelim Memo”) (citing evidence in the petition to support the policy lending finding due to the GOC’s failure to provide requested information), ref’d in 86 Fed. Reg. 41,013 (Dep’t Commerce July 30, 2021) (preliminary determination), unchanged in Mobile Access Equipment I&D Memo at 16; Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China, at 8, Comment 16 (Oct. 21, 2016) (“Iron Mechanical Drive Components I&D Memo”) (ACCESS barcode 3516339-02), ref’d in 81 Fed. Reg. 75,037 (Dep’t Commerce Oct. 28, 2016) (final determination); CFS I&D Memo at 9-10.

²⁹ See “Guidelines of the 13th Five-Year (2016-2020) Plan for National Economic and Social Development of the People’s Republic of China,” at Ch. 22, Sec. 1. **Exhibit CVD-CN-12.**

³⁰ Id. at Ch. 22, Secs. 1, 2, Box 7.

PUBLIC DOCUMENT

equipment innovation and development project to significantly increase our design and systems integration capabilities” and targeted specific equipment including “large and efficient combine harvesters” and marine engineering equipment.³¹ Further, enterprises were to be assisted in such goals through a number of government interventions, including reduction in taxes, maintenance of “reasonable liquidity and interest rates,” innovation of direct financing products, and the establishment of “a national financing guarantee fund to reduce the financial costs of enterprises.”³² The 13th Five-Year Plan also called upon all levels of government and “regions and departments” to “strengthen overall management and coordination” and to “strengthen the organization, coordination and supervision of the implementation of the plan.”³³

Subject producer Jiangsu Hengli Hydraulic Co., Ltd. (“Hengli Hydraulic”) lauded “the support and guidance” provided by national policies under the 13th Five-Year Plan that allowed the hydraulic industry to achieve “significant overall strength.”³⁴ According to Hengli Hydraulic, the support and guidance offered under the Plan encouraged an “accelerated pace of industry transformation and upgrading, improved product structure, and the industrialization of a number of high-end products with independent intellectual property rights, which have provided supporting components for major equipment and key projects” in China.³⁵ Hengli Hydraulic, however, noted that certain challenges remained in the sector, including the “need to improve

³¹ Id. at Ch. 22, Sec. 2, Box 7.

³² Id. at Ch. 22, Sec. 6.

³³ Id. at Ch. 80, Secs. 1, 2.

³⁴ See Jiangsu Hengli Hydraulic Co., Ltd. 2024 Annual Report, at 22. **Exhibit CVD-CN-13.**

³⁵ Id.

PUBLIC DOCUMENT

product reliability and durability, insufficient raw materials and supporting components to meet demand, {and} difficulties in promoting and applying new products.”³⁶

Most recently, the 14th Five-Year Plan seeks to address these issues, emphasizing that it is “crucial to ensure that the share of manufacturing in the economy remains stable, and to enhance the competitive advantages of the manufacturing sector with a focus on quality improvement.”³⁷ To meet this goal, the Plan promises to “ensure the success of projects launched to achieve breakthroughs in key technical equipment” and to “promote the demonstration and application of newly developed equipment.”³⁸ The Plan also vows to “step up the research, development and application of large and medium-sized, smart and multifunctional agricultural machinery so that the overall level of mechanization in plowing, sowing, and harvesting can be increased to 75 %.”³⁹ The 14th Five-Year Plan calls for financing to support the GOC’s objectives, pledging to “increase medium- and long-term loans and lines of credit for manufacturing, increase loans for technological transformation, and make sure equity investment and bond financing are more heavily weighted towards manufacturing,”⁴⁰

In addition, as noted above, Decision No. 40 of the State Council forms an integral part of the GOC’s industrial policy by creating a framework for:

{t}he people’s governments of all provinces, autonomous regions, and municipalities directly under the Central Government {to} formulate specific measures, rationally guide the investment directions, encourage and support the development of advanced production capacities, restrict and eliminate outdated production

³⁶ Id.

³⁷ See “Outline of the 14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the People’s Republic of China” (Mar. 13, 2021) (“14th Five-Year Plan”), at Chapter 8. **Exhibit CVD-CN-14.**

³⁸ Id. at Chapter 8, Sec. I.

³⁹ Id. at Chapter 23, Sec. I.

⁴⁰ See id. at Chapter 8, Sec. IV.

PUBLIC DOCUMENT

capacities, prevent blind investments and low-level redundant construction, and effectively propel industrial structure optimization and upgrading.⁴¹

Decision No. 40 specifically referenced industrial guidance catalogues to serve as “the important basis for guiding investment directions” and for the government “to formulate and enforce policies on public finance, taxation, credit, land, import and export, etc.”⁴² In determining which projects to support, Decision No. 40 used the classifications from the industrial catalogues – in which potential projects are categorized as being either “encouraged,” “restricted,” or “eliminated” – noting that “encouraged projects should be supported by policies and measures, including financing.”⁴³

Industrial guidance catalogues promote the development of the subject merchandise. The Catalogue for Guiding Industry Restructuring (2019 version) explicitly references development of “key parts and components of tractors,” including “hydraulic cylinders, various valves and hydraulic delivery valves, and other closed hydraulic systems” as an “encouraged” activity in the machinery sector.⁴⁴ Hydraulic excavators and tunnel boring machines also are “encouraged” for development.⁴⁵ Similarly, the 2022 edition of the Catalogue of Industries Encouraged for Foreign Investment classifies hydraulic harvesters and integrated hydraulic valves and components as encouraged.⁴⁶ The catalogue also designates select industries for development on a provincial basis, including “hydraulic technology system and mold production” in Shanxi Province, “electric

⁴¹ See Decision No. 40 at Preamble. **Exhibit CVD-CN-7.**

⁴² See *id.* at Article 12.

⁴³ See *id.* at Articles 13, 14, and 17.

⁴⁴ See 2019 Catalogue for Guiding Industry Restructuring at 53. **Exhibit CVD-CN-8.**

⁴⁵ See *id.* at 55.

⁴⁶ See Catalogue of Industries Encouraged for Foreign Investment at Category 17, subheading 151, Category 18, subheading 204. **Exhibit CVD-CN-9.**

PUBLIC DOCUMENT

forklifts, hydraulic excavators over 30 tons and their parts” in Anhui Province, and “hydraulic pipe industry production, research and development, and testing” in Henan Province.⁴⁷ Notably, the Department has previously found such categorization as “encouraged” in GOC guidance catalogues to be evidence of policy lending.⁴⁸

a. Financial Contribution

The provision of loans by GOC-controlled banks constitutes a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, as the Department has found on numerous occasions.⁴⁹

⁴⁷ See id. at Shanxi Province, Category 23, Anhui Province, Category 21, Henan Province, Category 15.

⁴⁸ See e.g. Decision Memorandum for the Preliminary Affirmative Determination of the Countervailing Duty Investigation of Certain Brake Drums from the People’s Republic of China, at 33-34 (Nov. 25, 2024) (ACCESS Barcode 4670858-02), ref’d in 89 Fed. Reg. 95,744, 95,745 (Dep’t Commerce Dec. 3, 2024) (preliminary determination), unchanged in Issues and Decision Memorandum for the Final Affirmative Determination in the Countervailing Duty Investigation of Certain Brake Drums from the People’s Republic of China, at 5, Comment 2 (June 13, 2025) (ACCESS Barcode 4778455-02) (including additional forms of financing in the program), ref’d in 90 Fed. Reg. 26,002 (Dep’t Commerce June 18, 2025) (final determination); Decision Memorandum for the Preliminary Affirmative Determination of the Countervailing Duty Investigation of Aluminum Lithographic Printing Plates from the People’s Republic of China, at 50-51 (Feb. 26, 2024) (ACCESS Barcode 4515548-02), ref’d in 89 Fed. Reg. 15,134, 15,135 (Dep’t Commerce Mar. 1, 2024) (preliminary determination), aff’d in Decision Memorandum for the Final Affirmative Determination in the Countervailing Duty Investigation of Aluminum Lithographic Printing Plates from the People’s Republic of China, at 5 (Sept. 20, 2024) (ACCESS Barcode 4636104-02) ref’d in 89 Fed. Reg. 79,248 (Dep’t Commerce Sept. 27, 2024) (final determination); Decision Memorandum for the Preliminary Determination in the Countervailing Duty Investigation of Certain Chassis and Subassemblies Thereof from the People’s Republic of China, at (Dec. 28, 2020) (ACCESS Barcode 4069591-02) (“Chassis and Subassemblies Prelim Memo”), ref’d in 86 Fed. Reg. 56 (Dep’t Commerce Jan. 4 2021) (preliminary determination), unchanged in Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Chassis and Subassemblies thereof from the People’s Republic of China, at 8-9, Comments 8, 9 (Mar. 15, 2021) (ACCESS Barcode 4099150-02) (“Chassis and Subassemblies I&D Memo”) (excluding certain intercompany loans, but still finding the program to be countervailable), ref’d in 86 Fed. Reg. 15,186 (Dep’t Commerce Mar. 22, 2021) (final determination).

⁴⁹ The Department has thoroughly analyzed the role played by Chinese banks and trust companies and has confirmed its prior findings that Chinese financial institutions “function as policy instruments to help the Chinese government (the government) carry out its constitutional mandate to ensure a leading role in the economy for the state sector.” Memorandum to Jeffrey
(cont’d on next page)

PUBLIC DOCUMENT

b. Benefit

Pursuant to 19 C.F.R. § 351.505 and section 771(5)(E)(ii) of the Act, the benefit from any loan from the GOC or a GOC-controlled bank is equal to the difference between what the recipient paid on the government-provided loan and the amount the recipient would have paid for a comparable commercial loan that it could have obtained in the market.⁵⁰

c. Specificity

Policy loans to Chinese producers of hydraulic cylinders are de jure specific in accordance with section 771(5A)(D)(i) of the Act. As described above, the GOC's policy uses loans to encourage designated industries, including the equipment and machinery sectors. In addition, as explained in China's WTO Accession Protocol, loans from Chinese policy banks are by their very nature discretionary and, consequently, specific.⁵¹

2. Export Loans from Chinese State-Owned Banks

The Department has frequently found that the GOC's policy banks and state-owned commercial banks ("SOCBs") provide preferential loans to exporters. In Line Pipe from China,

Kessler Re: Analysis of Banks and Trust Companies in China as Public Bodies for Countervailing Duty (CVD) Purposes, at 2 (June 27, 2019) ("Banks and Trust Companies Memo") (**Exhibit CVD-CN-15**); see also CFS I&D Memo at Comment 8; Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Aluminum Foil from the People's Republic of China at Comment 3 (Feb. 26, 2018) (ACCESS Barcode 3677800-02) ("Aluminum Foil OI I&D Memo"), ref'd in 83 Fed. Reg. 9,274 (Dep't Commerce Mar. 5, 2018) (final determination).

⁵⁰ The Department has thoroughly analyzed the Chinese financial system and has confirmed its prior findings that Chinese domestic interest rates are distorted by significant government intervention in the banking sector and, thus, are unsuitable as benchmarks. See Memorandum to Gary Taverman Re: Review of China's Financial System for Countervailing Duty (CVD) Benchmarking Purposes (July 21, 2017) ("Financial System Analysis Memo") (**Exhibit CVD-CN-16**); see also CFS I&D Memo at 5-8, Comment 10; Aluminum Foil OI I&D Memo at Comment 4. Accordingly, the agency has consistently used external benchmarks to calculate the benefit from all GOC loans. The same practice should be applied here.

⁵¹ See Protocol on the Accession of the People's Republic of China to the World Trade Organization, WT/L/432 (Nov. 23, 2001), at Annex 5A, at IX. **Exhibit CVD-CN-17.**

PUBLIC DOCUMENT

for example, the agency separately analyzed export loans provided to the subject producers by SOCBs and Chinese government policy banks and found this lending to be countervailable.⁵² The Department made similar findings in Citric Acid from China and Calcium Hypochlorite from China.⁵³

The Chinese government's foreign trade strategy set out in its Five-Year Plans promoted various policies to assist Chinese companies in developing export markets. The 12th Five-Year Plan sought to expand competitive advantages for manufacturers to extend the domestic value-added chain, and to "Go Global" by investing overseas, creating an "international sales and marketing network and name brand products."⁵⁴ The 13th Five-Year Plan continued to encourage the development of exports in order to "stimulate growth," promising to "move faster to make our export-intensive industries more internationally competitive in terms of their technology, standards, brand names, quality, and services" and to "increase the use of high technology and the value-added of our exports."⁵⁵ In order to "improve export policies, optimize the quality and structure of exports, and steadily increase the added-value of exports," the 14th Five-Year Plan pledges to "guide enterprises to better explore traditional export markets, expand their presence in

⁵² See Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe (Line Pipe) from the People's Republic of China, at 23-24 (Nov. 17, 2008) (ACCESS Barcode 4740038-01) ("Line Pipe I&D Memo"), ref'd in 73 Fed. Reg. 70,961 (Dep't Commerce Nov. 24, 2008) (final determination).

⁵³ See Citric Acid OI I&D Memo at 12-13; Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Calcium Hypochlorite from the People's Republic of China, at 15 (Dec. 8, 2014) ("Calcium Hypochlorite I&D Memo") (ACCESS Barcode 3246266-02), ref'd in 79 Fed. Reg. 74,064 (Dep't Commerce Dec. 15, 2014) (final determination).

⁵⁴ See "Outline of 12th Five-Year Plan for National Economic and Social Development of the People's Republic of China, National People's Congress" ("12th Five-Year Plan"), at Chapter 51, Section 1, Chapter 52, Section 2 (Mar. 14, 2011) (**Exhibit CVD-CN-18**); see also Calcium Hypochlorite I&D Memo at 15 (investigating export loans pursuant to the "Going-out" strategy promoted in the GOC's 12th Five-Year Plan).

⁵⁵ See 13th Five-Year Plan, at Chapter 10, Section 3. **Exhibit CVD-CN-12**.

PUBLIC DOCUMENT

emerging markets and boost trade with neighboring countries, and stabilize their international market share.”⁵⁶

To meet these goals, the GOC ensures Chinese enterprises have access to export financing. As detailed in “Decisions on Promotion of Stable Growth of Foreign Trade by General Office of the State Council,” issued in May 2014, the State Council expressly called for improving financing services for export-oriented enterprises.⁵⁷ This included “{i}mprov{ing} administration of credit grant by Chinese financial institutions; {and} strengthen{ing} cooperation with export enterprises in key industries.”⁵⁸ The 13th Five-Year Plan vowed to “improve services such as taxation, finance, insurance, investment and financing platforms, and risk assessment,” in order to “guide enterprises in participating in international markets in ways that utilize their group advantage.”⁵⁹ Similarly, the 14th Five-Year Plan seeks to “improve policy-backed finance,” in order to “increase its capacity to serve national strategies and planning efforts,” including the GOC’s international policies such as the “Belt and Road Initiative.”⁶⁰

Through these policies, Chinese exporters of hydraulic cylinders are eligible to receive special export financing from SOCBs. The Department, therefore, should investigate whether producers of the subject merchandise benefitted from preferential export financing during the POI.

⁵⁶ See 14th Five-Year Plan, at Chapter 13, Section 1 (Mar. 13, 2021). **Exhibit CVD-CN-14.**

⁵⁷ See “Decisions on Promotion of Stable Growth of Foreign Trade by General Office of the State Council,” Guo Ban Fa (2014), Decree No. 19, at Art. 10. **Exhibit CVD-CN-19.**

⁵⁸ Id.

⁵⁹ See 13th Five-Year Plan, at Chapter 49, Section 2. **Exhibit CVD-CN-12.**

⁶⁰ See 14th Five-Year Plan, at Chapter 21, Section 3, Chapter 41, Section 1 (Mar. 13, 2021) (“We will expand the areas of policy connectivity and strengthen cooperation for policy alignment in financing, trade, energy, digital information, agriculture, and other sectors. We will enhance complementarity and synergy between the BRI and regional and international development agendas.”). **Exhibit CVD-CN-14.**

a. Financial Contribution

Export loans provided by SOCBs in China constitute a direct financial contribution from the GOC pursuant to section 771(5)(D)(i) of the Act.

b. Benefit

Export loans confer a benefit pursuant to 19 C.F.R. § 351.505 and section 771(5)(E)(ii) of the Act to the extent that they are provided on terms better than would be available from market sources.⁶¹

c. Specificity

Because they are contingent on export performance, export loans are specific under sections 771(5A)(A) and (B) of the Act.

3. Export Credits from Export-Import Bank of China

In addition to export loans from Chinese banks, generally, the Department also has investigated whether certain Chinese producers have received preferential export financing specifically from the Export-Import Bank of China (“EIBC”), a government policy bank.⁶² The EIBC’s mandate is “to serve China’s development strategies” through its financial support of “foreign trade, cross-border investment, the Belt and Road cooperation, international industrial capacity and equipment manufacturing cooperation, the “going global” endeavors of science and technology.”⁶³ The EIBC “is committed to reinforcing financial support to key sectors and weak

⁶¹ Because the Department has consistently found that Chinese domestic interest rates are distorted by significant government intervention in the banking sector, the agency should use external benchmarks to calculate the benefit from all GOC loans. See Financial System Analysis Memo. Exhibit CVD-CN-16.

⁶² See, e.g., Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Corrosion Inhibitors from the People’s Republic of China, at 9, Comment 3 (Jan. 25, 2021) (ACCESS Barcode 4079907-02) (“Corrosion Inhibitors I&D Memo”), ref’d in 86 Fed. Reg. 7,537 (Dep’t Commerce Jan. 29, 2021).

⁶³ See Export-Import Bank of China 2025 Annual Report, at 2. **Exhibit CVD-CN-20.**

PUBLIC DOCUMENT

links in the Chinese economy to ensure sustainable and healthy economic and social development.”⁶⁴ To fulfill this mission, the EIBC extends a variety of different types of foreign trade loans, including “Export Seller’s Credit” and “Export Buyer’s Credit.”⁶⁵ As discussed below, information reasonably available to Petitioners indicates that Chinese producers of hydraulic cylinders likely have benefitted from these export credits.

a. Export Seller’s Credit

The Export Seller’s Credit program provides financing to Chinese companies to meet their export funding needs.⁶⁶ These credits are available to a wide range of exporters, including with respect to products with low technological content, general mechanical and electrical products, and “other approved products and services.”⁶⁷ The export supplier’s credit is described by the Bank of China as “a medium-and-long-term financing facility provided by export country banks to the exporter” with the objective of “promot{ing} {China’s} export of capital goods and services.”⁶⁸

The majority of export seller’s credit is provided in the form of direct loans to exporters. According to its 2025 annual report, the EIBC disbursed Renminbi (“RMB”) 500.5 billion to exporters for goods, causing the year-end outstanding balance for this foreign trade loan facility to

⁶⁴ Id.

⁶⁵ See id. at 42-46.

⁶⁶ “Export Seller’s Credit,” Website of the Export-Import Bank of China, available at http://english.eximbank.gov.cn/Business/CreditB/SupportingFT/201810/t20181016_6964.html. **Exhibit CVD-CN-21.**

⁶⁷ Id.

⁶⁸ See “Export Supplier’s Credit,” Website of the Bank of China, available at http://www.boc.cn/en/cbservice/cb2/cb22/200806/t20080630_1324060.html. **Exhibit CVD-CN-22.**

PUBLIC DOCUMENT

stand at RMB 1.2 trillion.⁶⁹ Further, EIBC also extended 303.7 billion to support “the production and operations of key foreign trade enterprise.”⁷⁰ These loans formed a significant part of the EIBC’s contribution to encourage trade in goods, services, and labor, to support the research and development of new products and technologies, and to strengthen weak links in the foreign trade supply chain, in order to boost “the mutual reinforcement of dual circulations to facilitate China’s domestic development and its international engagement.”⁷¹

Information reasonably available to Petitioners indicates that hydraulic cylinders producers may have benefitted from export seller’s credits due to the export-orientation of their production.⁷² Further, the Department has previously investigated and countervailed the EIBC’s special export financing in other countervailing duty investigations.⁷³ Based on this evidence and the agency’s past practice, the Department should investigate whether Chinese producers of the subject merchandise benefitted from export seller’s credits during the POI.

⁶⁹ See Export-Import Bank of China 2025 Annual Report, at 42. **Exhibit CVD-CN-20**. Although the 2025 annual report uses different terminology, the descriptions of loan provided to support foreign trade demonstrate this financing is designed to encourage exports, and thereby, is not a distinct program from the export seller’s credit program previously investigated by the Department. See id.

⁷⁰ Id. at 43.

⁷¹ See id. at 42.

⁷² See Hengli Hydraulic 2025 Annual Report at 13 (indicating it had established “a wide marketing network in Europe, North America, Japan, and other regions to serve customers”). **Exhibit CVD-CN-23**. See also Petition Vol. I at section IV.F. (detailing the export-orientation of Chinese subject producers).

⁷³ See, e.g., Aluminum Foil OI I&D Memo at 7 (calculating a 0.82 percent ad valorem subsidy rate for the program); Corrosion Inhibitors I&D Memo at 11 (finding Export Seller’s Credit to be “not used”).

i. Financial Contribution

Export seller's credits from the EIBC involve the direct transfer of funds from a government-owned financial institution, constituting a financial contribution under section 771(5)(D)(i) of the Act.

ii. Benefit

EIBC's export financing confers a benefit under 19 C.F.R. § 351.505 and section 771(5)(E)(ii) of the Act to the extent that it is provided on terms better than would be available from commercial sources.⁷⁴

iii. Specificity

Because such loans are contingent on export performance, they are specific under sections 771(5A)(A) and (B) of the Act.

b. Export Buyer's Credit

In addition to the export seller's credit, the EIBC also provides export buyer's credits to purchasers of Chinese exports. Export buyer's credits are loans at preferential rates to foreign companies, such as importers, to promote the export of Chinese products, technology, and services.⁷⁵ Indeed, the Bank of China has indicated that the financing costs of export buyer's credit

⁷⁴ As noted above, the Department has found that Chinese domestic interest rates are distorted by significant government intervention in the banking sector and, thus, are unsuitable as benchmarks. See Financial System Analysis Memo. Exhibit CVD-CN-16. Accordingly, the agency should use external benchmarks to calculate the benefit from all GOC loans.

⁷⁵ "Export Buyer's Credit," Website of the Export-Import Bank of China, available at http://english.eximbank.gov.cn/Business/CreditB/SupportingFT/201810/t20181016_6965.html. **Exhibit CVD-CN-24.**

PUBLIC DOCUMENT

under the country's Export Credit Agency's items are "much lower than that of average commercial loans."⁷⁶

As the Department previously has found export buyer's credits to be countervailable,⁷⁷ and customers of Chinese exporters of the subject merchandise are eligible to receive this financing, the agency should investigate whether the subject producers benefitted from export buyer's credits during the POI.

i. Financial Contribution

Export buyer's credits provide a financial contribution through the direct transfer of funds from the EIBC under section 771(5)(D)(i) of the Act.

ii. Benefit

EIBC's export financing confers a benefit under 19 C.F.R. § 351.505 and section 771(5)(E)(ii) of the Act to the extent that it is provided on terms better than would be available from market sources.⁷⁸

iii. Specificity

Such loans are contingent on export performance, and, therefore, are specific under sections 771(5A)(A) and (B) of the Act.

⁷⁶ "Export Buyer's Credit," Website of the Bank of China, available at http://www.boc.cn/en/cbservice/cb2/cb22/200806/t20080630_1324061.html. **Exhibit CVD-CN-25.**

⁷⁷ See, e.g., Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Common Alloy Aluminum Sheet from the People's Republic of China, at 15, Comment 4 (Nov. 5, 2018) (ACCESS Barcode 3770290-02) ("CAAS OI I&D Memo"), ref'd in 83 Fed. Reg. 57,427, 57,428 (Dep't Commerce Nov. 15, 2018) (final determination).

⁷⁸ As previously noted, the Department has found that Chinese domestic interest rates are distorted by significant government intervention in the banking sector and, thus, are unsuitable as benchmarks. See Financial System Analysis Memo. **Exhibit CVD-CN-16.** Accordingly, the agency should use external benchmarks to calculate the benefit from all GOC loans.

B. Income Tax and Direct Tax Programs**1. Income Tax Reduction for High or New Technology Enterprises**

According to Article 28.2 of the Enterprise Income Tax Law (“EITL”), enterprises that are qualified as high- or new-technology enterprises (“HNTEs”) are entitled to a reduced tax rate of 15 instead of 25 percent.⁷⁹ Further, the “Circular on the Administrative Measures Governing the Recognition of High or New Technology Enterprises Jointly Issued by the Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Administrative Measures Governing the Recognition of High or New Technology Enterprises,” Guo Ke Fa Huo (2008) No. 172, authorizes enterprises that use technology in high-tech services to qualify for an income tax reduction under Article 28.2 of the Enterprise Income Tax Law.⁸⁰ Hengli Hydraulic’s 2024 annual report confirms that it is an HNTE and benefitted from this tax reduction on taxes paid during the prospective POI.⁸¹

The Department has found this income tax reduction to be countervailable in other investigations involving imports from China.⁸² Given this fact, and Hengli Hydraulic’s designation as an HNTE, the Department should initiate an investigation into this countervailable tax incentive.

⁷⁹ See Enterprise Income Tax Law of the People’s Republic of China, No. 63 (Mar. 16, 2007) (“Enterprise Income Tax Law”). **Exhibit CVD-CN-26.**

⁸⁰ See “Circular on the Administrative Measures Governing the Recognition of High or New Technology Enterprises Jointly Issued by the Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Administrative Measures Governing the Recognition of High or New Technology Enterprises,” Guo Ke Fa Huo (2008) No. 172. **Exhibit CVD-CN-27.**

⁸¹ See Hengli Hydraulic 2024 Annual Report at 109. **Exhibit CVD-CN-13.**

⁸² See, e.g., Mobile Access Equipment I&D Memo at 15; Chassis and Subassemblies I&D Memo at 11; Aluminum Foil OI I&D Memo at 7.

a. **Financial Contribution**

An income tax exemption or reduction qualifies as a financial contribution in the form of revenue forgone by the government in accordance with section 771(5)(D)(ii) of the Act.

b. **Benefit**

This program provides a benefit to the recipient in the amount of the tax savings from the program. See 19 C.F.R. § 351.509(a)(1).

c. **Specificity**

Income tax reductions for HNTes are specific within the meaning of section 771(5A)(D)(i) of the Act, because the program is limited as a matter of law to only certain enterprises.

2. **Income Tax Deductions for Research and Development Expenses Under the Enterprise Income Tax Law**

Article 30.1 of the EITL allows Chinese companies to deduct from taxable income “expenditures for researching and developing new technologies, new products and new techniques.”⁸³ The Department previously investigated this program and found it to provide countervailable assistance to select Chinese enterprises.⁸⁴ Subject producer Hengli Hydraulic had significant R&D expenses in 2024.⁸⁵ Thus, producers of subject merchandise are eligible for the tax deductions provided by EITL Article 30.1. Accordingly, the Department should initiate an investigation into use of this countervailable subsidy during the POI.

⁸³ See Enterprise Income Tax Law. **Exhibit CVD-CN-26.**

⁸⁴ See, e.g., Mobile Access Equipment I&D Memo at 16; Chassis and Subassemblies I&D Memo at 11; Aluminum Foil OI I&D Memo at 7.

⁸⁵ See Hengli Hydraulic 2024 Annual Report at 16. **Exhibit CVD-CN-13.**

PUBLIC DOCUMENT

a. Financial Contribution

The income tax deduction provided by EITL Article 30.1 qualifies as a financial contribution in the form of revenue forgone by the GOC in accordance with section 771(5)(D)(ii) of the Act.

b. Benefit

This program provides a benefit to the recipient equal to the amount of tax savings from the program. See 19 C.F.R. § 351.509(a)(1).

c. Specificity

As the agency has found, Enterprise Income Tax Law Article 30.1 allocates benefits to select enterprises and consequently is specific by law under section 771(5A)(D)(i) of the Act.⁸⁶

3. Additional Deduction for Equipment and Apparatus of High-Tech Enterprises

Pursuant to the “Announcement on Increasing Pre-Tax Deductions to Support Technological Innovation,” new equipment and appliances purchased by high-tech enterprises between October 1, 2022, and December 31, 2022, are allowed to be deducted in full in the same year when calculating taxable income, and a 100 percent additional deduction is allowed before tax.⁸⁷ Additionally, the announcement explicitly allows for carryforward of tax losses stemming

⁸⁶ See Mobile Access Equipment Prelim Memo at 54-55, unchanged in Mobile Access Equipment I&D Memo at 16; Chassis and Subassemblies Prelim Memo at 38, unchanged in Chassis and Subassemblies I&D Memo at 11; Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Certain Aluminum Foil from the People’s Republic of China, at 47 (Aug. 7, 2017) (ACCESS Barcode 3605785-02) (“Aluminum Foil Prelim Memo”), ref’d in 82 Fed. Reg. 37,844, 37,845 (Dep’t Commerce Aug. 14, 2017) (preliminary determination), unchanged in Aluminum Foil OI I&D Memo at 7, Comment 21 (adjusting the benefit calculation methodology).

⁸⁷ See “Announcement on Increasing Pre-Tax Deductions to Support Technological Innovation, Ministry of Finance,” State Administration of Taxation, Ministry of Science and Technology Announcement No. 28 of 2022 (Sept. 22, 2022). **Exhibit CVD-CN-28.**

PUBLIC DOCUMENT

from the deduction.⁸⁸ The Department previously investigated this program and found it to provide countervailable assistance to select Chinese enterprises.⁸⁹ As noted above, Hengli Hydraulic is an HNTE.⁹⁰ Thus, producers of subject merchandise would be eligible for this preferential expensing policy. Accordingly, the Department should initiate an investigation into use of this countervailable subsidy during the POI.

a. Financial Contribution

The full expensing allowed by the Announcement on Increasing Pre-Tax Deductions to Support Technological Innovation qualifies as a financial contribution in the form of revenue forgone by the GOC in accordance with section 771(5)(D)(ii) of the Act.

b. Benefit

This program provides a benefit to the recipient equal to the amount of tax savings from the program. See 19 C.F.R. § 351.509(a)(1).

c. Specificity

As the agency has found, the Announcement on Increasing Pre-Tax Deductions to Support Technological Innovation allocates benefits to select enterprises and consequently is specific by law under section 771(5A)(D)(i) of the Act.⁹¹

⁸⁸ Id.

⁸⁹ See Decision Memorandum for the Preliminary Affirmative Determination of the Countervailing Duty Investigation of Erythritol from the People's Republic of China, at 30-31 (May 12, 2025) (ACCESS Barcode 4760211-02) ("Erythritol Prelim Memo"), ref'd in 90 Fed. Reg. 21,000 (Dep't Commerce May 16, 2025) (preliminary determination), unchanged in Issues and Decision Memorandum for the Final Affirmative Determination in the Countervailing Duty Investigation of Erythritol from the People's Republic of China, at 5, (Feb. 4, 2026) (ACCESS Barcode 4876062-02) ("Erythritol I&D Memo"), ref'd in 91 Fed. Reg. 5920 (Dep't Commerce Feb. 10, 2026) (final determination).

⁹⁰ See Hengli Hydraulic 2024 Annual Report at 109. **Exhibit CVD-CN-13.**

⁹¹ See Erythritol Prelim Memo at 30-31, unchanged in Erythritol I&D Memo.

C. **Indirect Tax Programs**

1. **Import Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries**

The State Council's "Circular on Adjusting Tax Policies on Imported Equipment" exempts both FIEs and certain domestic enterprises in encouraged industries from paying value-added taxes ("VAT") and tariffs on imported equipment not for resale.⁹² The objective of this program is to encourage foreign investment and to introduce advanced equipment from abroad into China for the upgrading of domestic industrial technology.⁹³ In fact, the NDRC issued a notice in 2006 requiring confirmation letters for qualifying "encouraged" projects.⁹⁴ As an encouraged industry,⁹⁵ Chinese manufacturers of the subject merchandise would qualify for this incentive.

In light of this evidence and the Department's findings on this program in past investigations,⁹⁶ the Department should investigate whether Chinese hydraulic cylinders manufacturers have benefitted from this countervailable subsidy.

a. **Financial Contribution**

Import tariff exemptions provide a financial contribution in the form of revenue forgone by the GOC in accordance with section 771(5)(D)(ii) of the Act.

⁹² See "Circular of the State Council Concerning Adjustment of Imported Equipment Taxation Policy" (1997). **Exhibit CVD-CN-29.**

⁹³ See *id.*; see also New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures, G/SCM/N/343/CHN (July 19, 2019) at 39. **Exhibit CVD-CN-30.**

⁹⁴ See "Notice of the National Development and Reform Commission on Relevant Issues concerning the Handling of Confirmation Letter on Domestic or Foreign-funded Projects Encouraged to Develop by the State, No. 316" (2006). **Exhibit CVD-CN-31.**

⁹⁵ See Catalogue of Industries Encouraged for Foreign Investment at Category 17, subheading 151, Category 18, subheading 204. **Exhibit CVD-CN-9.**

⁹⁶ See, e.g., Aluminum Foil I&D Memo at 8; Iron Mechanical Drive Components I&D Memo at 10.

b. Benefit

This program provides a benefit to the recipient in the form of the tax savings from the program. See 19 C.F.R. § 351.510(a)(1). Further, because these exemptions are tied to the capital assets of the company, the Department should examine the benefit over the AUL of the industry. See id. § 351.524(c)(2)(iii), (d)(1).

c. Specificity

The Department has found this program to be specific on a de jure basis under section 771(5A)(D)(i) of the Act because only certain enterprises are eligible to benefit from these exemptions for “encouraged” projects.⁹⁷

2. Additional VAT Deduction for Advanced Manufacturing Companies

Pursuant to State Taxation Administration Announcement No. 43 of 2023, “Announcement of the Ministry of Finance and the State Taxation Administration on the Policy of Additional Deduction of Value-Added Tax for Advanced Manufacturing Enterprises,” HNTes engaged in manufacturing are eligible for an additional deduction of 5 percent above the annual deductible input tax between January 1, 2023, to December 31, 2027.⁹⁸ In particular, eligible companies can utilize the additional deduction in one of three manners.⁹⁹ First, if the company’s VAT payable is zero, the additional deduction can be carried forward into the next period.¹⁰⁰ Second, if the

⁹⁷ See Aluminum Foil Prelim Memo at 48, unchanged in Aluminum Foil I&D Memo at 8; Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China at 38 (Apr. 1, 2016) (ACCESS Barcode 3458319-02), ref’d in 81 Fed. Reg. 21,316, 21,317 (Dep’t Commerce Apr. 11, 2016) (preliminary determination), aff’d in Iron Mechanical Drive Components I&D Memo at 10.

⁹⁸ See “Announcement of the Ministry of Finance and the State Taxation Administration on the Policy of Additional Value-Added Tax Deduction for Advanced Manufacturing Enterprises, Announcement No. 43” (2023). **Exhibit CVD-CN-32.**

⁹⁹ See id.

¹⁰⁰ See id.

PUBLIC DOCUMENT

company's VAT payable is greater than zero and higher than the amount of the additional deduction, the entire amount of the additional deduction can be used to reduce VAT payable.¹⁰¹ Third, if the company's VAT payable is greater than zero but less than the amount of the additional deduction, the company can lower its VAT payable for the current period to zero and carryforward the remaining additional deduction into the next period.¹⁰²

According to its 2024 and 2025 annual reports, Hengli Hydraulic and its subsidiaries benefitted from this additional VAT deduction.¹⁰³ Based on this evidence, the Department should initiate an investigation into this indirect tax incentive.

a. Financial Contribution

The GOC provides a financial contribution pursuant to section 771(5)(D)(ii) of the Act in the form of revenue foregone that is otherwise due. Under this program, the GOC foregoes a portion of the VAT payable by advanced manufacturing companies.

b. Benefit

A benefit exists within the meaning of section 771(5)(E) of the Act because the tax reduction relieves the recipient of tax liability that would otherwise be due. In accordance with 19 C.F.R. § 351.510(a), the amount of the benefit equals the difference between VAT that would have been paid absent the additional deduction and VAT actually paid.

c. Specificity

This program is specific under section 771(5A)(D)(i) of the Act because access to the subsidy is expressly limited to a certain group of enterprises – namely, HNTes.

¹⁰¹ See id.

¹⁰² See id.

¹⁰³ See Hengli Hydraulic 2024 Annual Report at 109. **Exhibit CVD-CN-13**; Hengli Hydraulic 2025 Annual Report at 109-110. **Exhibit CVD-CN-23**.

D. Government Provision of Goods and Services for Less Than Adequate Remuneration

To implement its industrial policy, the Chinese government controls important inputs and provides them at preferential prices to encourage the production of downstream, higher value-added products designed for export. In the 14th Five-Year Plan, the GOC committed to “intensify efforts to ensure the supply of factors of production, . . . reduce the production and operating costs of enterprises, and enhance the embeddedness and competitiveness of the manufacturing industry.”¹⁰⁴ As part of this effort, the Chinese government confers countervailable benefits on Chinese producers of hydraulic cylinders by providing them with an array of productive inputs including steel tubes, steel bars, hot-rolled steel sheet, forged steel blanks, and hydraulic parts and components needed for the production process,¹⁰⁵ as well as electricity and land, for less than adequate remuneration (“LTAR”).

The Chinese government’s development plans for the steel industry have encouraged the provision of the steel inputs to downstream manufacturers for more than a decade. For example, “Iron and Steel Industry 12th Five-Year Plan” (“Iron & Steel Plan”), which covered 2011 through 2015, called for the improvement of product quality and stability in delivery in order to “meet the need of key areas and major products.”¹⁰⁶ To meet these goals, the Iron & Steel Plan specifically designated large state-owned steel enterprises, such as Baosteel, Wugang, and Angang, to further consolidate domestic production, and, thus, allow the GOC to increase its control over the

¹⁰⁴ See 14th Five-Year Plan, at Chapter 8, Section IV (Mar. 13, 2021). **Exhibit CVD-CN-14.**

¹⁰⁵ See Petition Vol. I at sections I.E.2.-3.

¹⁰⁶ “Circular of the Ministry of Industry and Information Technology on Printing and Distributing the Iron and Steel Industry 12th Five Year Development Plan Gong Xin Gui (2011) No. 480” (Oct. 24, 2011), at III(I) (emphasis added), Tables 3 & 4. **Exhibit CVD-CN-33.**

PUBLIC DOCUMENT

industry.¹⁰⁷ Similarly, the Steel Industry Adjustment and Upgrade Plan (“Steel Upgrade Plan”), issued for the 2016 to 2020 period, also recognized that the steel industry, through the provision of “important raw materials,” has “strongly supported the development of related industries, promoted the process of industrialization and modernization in China, and promoted the improvement of people’s livelihood and social development.”¹⁰⁸

Most recently, the 14th Five-Year Raw Material Industry Development Plan (“14th Five-Year Raw Materials Plan”) states that the raw material sector, including the steel industry, is the “foundation of the real economy.”¹⁰⁹ Raw materials support “the development of national economy and the key areas for gaining international competitive advantage.”¹¹⁰ To improve the supply of quality input materials, the Plan urged “upstream and downstream collaboration” in order to meet the “needs of major technical equipment” by upgrading the standards for products such as construction steel.¹¹¹ The subject merchandise frequently is used in construction equipment.

Importantly, these plans to encourage the steel industry provide authorities with a broad range of fiscal incentives and enforcement powers to support the government’s industrial policy objectives.¹¹² The consolidation of steel production into large state-owned enterprise groups

¹⁰⁷ See id. at IV(VII).

¹⁰⁸ Steel Upgrade Plan at Preamble. **Exhibit CVD-CN-34.**

¹⁰⁹ 14th Five-Year Raw Material Industry Development Plan at Preamble. **Exhibit CVD-CN-35.**

¹¹⁰ Id.

¹¹¹ Id. at Chap. 3, Sec. 4.

¹¹² See, e.g., Iron & Steel Plan, at V(IV) (“Strengthen other policies, including fiscal policy, taxation policy, finance policy, trade policy, land policy, energy saving policy, environmental protection policy, and production safety policy to coordinate with the iron and steel industry policy”). **Exhibit CVD-CN-33**; Steel Upgrade Plan, at V(2) (encouraging local authorities to support “measures to explore a variety of ways, to guide financial institutions, social capital, and support for key tasks of planning” and banks to “maintain reasonable credit demand” for
(cont’d on next page)

PUBLIC DOCUMENT

allows the GOC even greater influence on the entire sector. Chinese steel producers offer inputs to downstream companies for less than adequate remuneration as part of the GOC's overall development plans for the steel industry. In fact, the Department has previously found the primary inputs used in production of hydraulic cylinders to be provided for less than adequate remuneration to other Chinese equipment manufacturers.¹¹³

China's governmental policies have resulted in severe excess capacity in the steel industry. According to USTR, "{e}xcess capacity in China's steel sector boosts the price competitiveness of China's downstream manufacturing industries in global markets through the provision of artificially low-priced steel inputs."¹¹⁴ USTR further noted that "reports indicate that Chinese steel is substantially cheaper than in market-oriented economies."¹¹⁵ The availability of domestically-produced steel in China limits the overall volume of steel inputs imported by Chinese manufacturers and causes imported steel goods to represent more specialized steel products. Comparing Chinese import prices to world market prices, therefore, is problematic.

Finally, in discussing the benefits conferred by the alleged provision of inputs for LTAR below, Petitioners note at the outset that the Department's regulations set forth a hierarchy of three potential benchmarks to utilize in determining whether a good is provided for LTAR: (i) market

enterprises). **Exhibit CVD-CN-34**; 14th Five-Year Raw Material Industry Development Plan at Chapter 8, Section (2) (implementing the plan through "existing funding channels" to "give full play to the role of the national industry-finance cooperation platform" and "actively support the projects conformed to the planning by ways of financial services, equity investment, etc.")). **Exhibit CVD-CN-35**.

¹¹³ See, e.g., Mobile Access Equipment OI I&D Memo at 16-17 (provision of hot-rolled steel sheet and plate, steel bars, and hollow structural shapes); Chassis and Subassemblies I&D Memo at 9-11 (provision of hot-rolled steel sheet and plate, steel bars, and hollow structural shapes).

¹¹⁴ See "2026 National Trade Estimate Report on Foreign Trade Barriers," Office of the United States Trade Representative (Mar. 2026) ("2026 NTE Report"), at 105. **Exhibit CVD-CN-36**.

¹¹⁵ Id.

PUBLIC DOCUMENT

prices from actual transactions within the country under investigation (“tier one”); (ii) world market prices that would be available to purchasers in the country under investigation (“tier two”); or (iii) an assessment of whether the government price is consistent with market principles (“tier three”).¹¹⁶ Though the preference is to use a tier one benchmark, where the Department determines that the government distorts the market for a good or service, prices for those goods and services in the country will be considered unreliable and are not an appropriate basis of comparison for determining whether there is a benefit. For each LTAR program, Petitioners assert that the Department cannot rely on a tier one benchmark and must instead resort to world market prices or other external benchmarks (e.g., for the provision of land for LTAR) in determining the benefit likely provided to Chinese hydraulic cylinders producers.

1. Provision of Steel Tubes for Less Than Adequate Remuneration

The primary raw material used to manufacture hydraulic cylinders is a steel tube. In particular, as described in Volume I, the main body of the cylinder is a hollow steel tube, either welded or seamless depending on the end use of product, to which a piston, or rod, has been inserted to provide power for extension and lift. Carbon steel is most frequently used for the cylinder body.¹¹⁷

The GOC, through its major SOEs in the steel sector, dominates steel tube production in China. Publicly available information indicates that state-owned companies Baosteel Group

¹¹⁶ See 19 U.S.C. § 351.511(a)(2).

¹¹⁷ See Petition Vol. I at section I.E.2.-3.

PUBLIC DOCUMENT

(“Baowu”),¹¹⁸ Ansteel Group,¹¹⁹ Shougang Group,¹²⁰ and Hebei Iron and Steel Group¹²¹ are the largest manufacturers of steel tubes in China.¹²² Given that SOEs are the main suppliers of tubing in China, it is likely that Chinese hydraulic cylinders producers purchased steel tubes to manufacture the subject merchandise from government-owned companies during the POI.

Although specific prices that subject producers pay for steel tubes are not reasonably available to Petitioners, the Department previously has found steel tubular products and other hollow structural shapes to be provided for less than adequate remuneration, conferring countervailable benefits on certain Chinese manufacturers.¹²³ While the Department’s prior determinations have frequently examined the provision of hollow structural shapes, such hollow steel products may overlap with the steel tubular products used in the production of subject merchandise. Notably, the Department has relied on benchmark data to measure the adequacy of

¹¹⁸ See “China Baowu Steel Group,” Website of Global Energy Monitor, available at https://www.gem.wiki/China_Baowu_Steel_Group. **Exhibit CVD-CN-37.** Baowu formed through the merger of two state-owned steel companies, Baosteel Group and Wuhan Iron and Steel Corporation in 2016. Id.

¹¹⁹ See “Ansteel Group,” Website of Global Energy Monitor, available at https://www.gem.wiki/Ansteel_Group. **Exhibit CVD-CN-38.**

¹²⁰ See “Shougang Group,” Website of Global Energy Monitor, available at https://www.gem.wiki/Shougang_Group. **Exhibit CVD-CN-39.**

¹²¹ See “HBIS Group,” Website of Global Energy Monitor, available at https://www.gem.wiki/HBIS_Group. **Exhibit CVD-CN-40.** HBIS operates under several additional names, including Hesteel Group, Hegang, and Hebei Iron and Steel Group Co., Ltd. Id.

¹²² See “Top 10 Steel Tube Manufacturers in China,” Website of Wuxi Chenna Machinery Co., Ltd., (Oct. 29, 2025), available at <https://www.chennamachinery.com/blog/top-10-steel-tube-manufacturers-in-china-1576365.html>. **Exhibit CVD-CN-41.**

¹²³ See Issues and Decision Memorandum for the Final Affirmative Determination in the Countervailing Duty Investigation of Temporary Steel Fencing from the People’s Republic of China, at 15, Comments 1, 5 (Mar. 10, 2026) (ACCESS Barcode 4893348-02) (“Steel Fencing I&D Memo”), ref’d in 91 Fed. Reg. 12,567 (Dep’t Commerce Mar. 16, 2026) (final determination); Issues and Decision Memorandum for the Final Results in the Countervailing Duty Administrative Review of Mobile Access Equipment and Subassemblies Thereof from the People’s Republic of China; 2022, at 5, Comments 2, 8, 13 (Dec. 15, 2025) (ACCESS Barcode 4855694-02) (“Mobile Access Equipment 2022 AR I&D Memo”), ref’d in 90 Fed. Reg. 59,492 (Dep’t Commerce Dec. 19, 2025) (final results); Chassis and Subassemblies I&D Memo at 11.

PUBLIC DOCUMENT

remuneration for hollow steel products using the same harmonized tariff schedule (“HTS”) classification(s) as for steel tube, thus making those prior determinations relevant here.¹²⁴ Further, the Department also has found the Chinese mechanical tubing industry, which supply tubes used in production of the subject merchandise, to benefit from significant countervailable assistance.¹²⁵

Given case precedent and the evidence presented herein, the Department should investigate whether hydraulic cylinders producers benefitted from the provision of steel tubes for less than adequate remuneration in 2025.

a. Financial Contribution

The Department has determined that certain enterprises in China are government authorities within the meaning of the statute.¹²⁶ See 19 U.S.C. § 1677(5)(B). Hence, the provision of steel tubes for less than adequate remuneration by Chinese enterprises to the subject producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

¹²⁴ See Decision Memorandum for the Preliminary Affirmative Determination of the Countervailing Duty Investigation of Temporary Steel Fencing from the People’s Republic of China, at 39 (June 16, 2025) (ACCESS Barcode 4779332-02) (“Steel Fencing Prelim Memo”), ref’d in 90 Fed. Reg. 26,268 (Dep’t Commerce June 20, 2025) (noting the use of HTS classification 7306.30 for circular hollow steel pipe and tube purchases), unchanged Steel Fencing I&D Memo at 13, Comment 5; see also Mobile Access Equipment 2022 AR I&D Memo at Comment 8 (indicating that the benchmark included both circular and rectangular cross-sections).

¹²⁵ See Countervailing Duty Investigation of Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel From the People’s Republic of China: Final Affirmative Determination, and Final Affirmative Determination of Critical Circumstances, in Part, 82 Fed. Reg. 58,175, 58,176 (Dep’t Commerce Dec. 11, 2017) (final determination) (“CDMT from China”).

¹²⁶ See Public Bodies Update at 3 (“This includes the findings that (1) any enterprise in China in which the government has a full or controlling ownership interest is a public body; (2) enterprises in China in which the government has significant ownership that are also subject to certain government industrial plans may be public bodies; and (3) certain enterprises that have little or no formal government ownership are public bodies if Commerce determines that the government exercises meaningful control over them.”). **Exhibit CVD-CN-6.**

PUBLIC DOCUMENT

b. Benefit

A benefit is conferred because GOC authorities supply steel tubes for LTAR within the meaning of section 771(5)(E)(iv) of the Act. In fact, the Department recently determined that a Chinese producer of steel fencing benefitted from the provision of hollow structural sections at a rate of 12.37 percent ad valorem in 2024.¹²⁷ The Department has similarly found the provision of hollow structural shapes to confer countervailable benefits in other proceedings.¹²⁸ Finally, the Department has also determined that the Chinese mechanical tubing industry benefits from countervailable subsidies.¹²⁹ Given case precedent and evidence that production of hydraulic cylinders has been supported in the industrial guidance catalogs,¹³⁰ it is reasonable to believe that SOEs provided steel tubing for less than adequate remuneration to subject producers during the POI.

c. Specificity

Steel tubing is mainly used in select industries, including agriculture, automotive applications, transportation, and construction.¹³¹ Accordingly, the provision of steel tubes to hydraulic cylinders producers for LTAR is specific because the actual recipients of the subsidy are

¹²⁷ See Steel Fencing I&D Memo at 15.

¹²⁸ See Mobile Access Equipment 2022 AR I&D Memo at 5; Mobile Access Equipment OI I&D Memo at 17; Chassis and Subassemblies I&D Memo at 11.

¹²⁹ See CDMT from China, 82 Fed. Reg. at 58,176.

¹³⁰ See 2019 Catalogue for Guiding Industry Restructuring at 53, 55. **Exhibit CVD-CN-8**; Catalogue of Industries Encouraged for Foreign Investment at Category 17, subheading 151, Category 18, subheading 204. **Exhibit CVD-CN-9**.

¹³¹ See “The Key Differences Between Tube and Pipe,” Website of Alliance Tubular Products, available at <https://www.alliancetubularproducts.net/resources/blog/the-key-differences-between-tube-and-pipe/>. **Exhibit CVD-CN-42**.

PUBLIC DOCUMENT

limited in number on an industry basis within the meaning of section 771(5A)(D)(iii)(I) of the Act, as the Department has previously found.¹³²

2. Provision of Steel Bars for LTAR

Hydraulic cylinders utilize an interior steel bar or piston to move the mechanism.¹³³ Publicly available information indicates that large SOEs manufacture steel bars. For example, Shougang Shuicheng Iron & Steel (Group) Co., Ltd. (“Shuigang”), one of the Shougang Group companies, is a fully integrated producer of both bars and rods.¹³⁴ Specifically, Shuigang’s “products cover more than 20 series and more than 100 scales, such as long steel, building materials, high-strength steel, flexible wire steel, hard wire steel, welding steel, carbon-structured steel rods, and PC base steel.”¹³⁵ Hebei Iron and Steel Group also manufactures bars.¹³⁶

The Department has previously found steel bars and rods to be provided for less than adequate remuneration.¹³⁷ Based on prior findings and the continued excess capacity in the Chinese steel sector

¹³² See Steel Fencing Prelim Memo at 27-29, 45 (finding the program specific through the application of adverse facts available due to the GOC’s failure to provide necessary information), unchanged in Steel Fencing I&D Memo at 15; Mobile Access Equipment Prelim Memo, at 31-32, 60-61 (finding the program specific through the application of adverse facts available due to the GOC’s failure to provide necessary information), unchanged in Mobile Access Equipment OI I&D Memo at 17.

¹³³ See Petition Vol. I at section I.E.2.-3.

¹³⁴ See “Shougang Shuicheng Iron & Steel (Group) Co., Ltd.,” Website of Shougang Group, available at <https://www.shougang.com.cn/en/p1/IronSteelIndustry/20170329/830.html>. **Exhibit CVD-CN-43.**

¹³⁵ Id.

¹³⁶ See “High Strength Building Materials,” Website of HBIS Group, available at <https://www.hbis.com/en/products/material/solution/313#solutions>. **Exhibit CVD-CN-44.**

¹³⁷ See, e.g., Steel Fencing I&D Memo at 16; Chassis and Subassemblies I&D Memo at 10; Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Carbon and Alloy Steel Threaded Rod from the People’s Republic of China, at 4 (Feb. 7, 2020) (ACCESS Barcode 3941481-02) (“Steel Threaded Rod I&D Memo”), ref’d in 85 Fed. Reg. 8833 (Dep’t Commerce Feb. 18, 2020) (final determination).

PUBLIC DOCUMENT

in 2025,¹³⁸ the Department should initiate an investigation into whether Chinese hydraulic cylinders producers benefited from this countervailable subsidy.

a. Financial Contribution

China's state-owned producers of steel bars are "authorities" under section 771(5)(B) of the Act. The provision of steel bars constitutes a financial contribution under section 771(5)(D)(iii) of the Act in the form of "providing goods or services."

b. Benefit

A benefit is conferred because GOC authorities supply steel bars for LTAR within the meaning of section 771(5)(E)(iv) of the Act. In fact, the Department recently determined that a Chinese producer of steel fencing benefitted from the provision of steel bars for LTAR at a rate of 1.65 percent ad valorem in 2024.¹³⁹ Indeed, as noted by USTR, excess capacity in the China's steel industry has resulted in "artificially low-priced steel inputs."¹⁴⁰ The GOC's provision of steel bars, therefore, likely is provided for LTAR, conferring a benefit to hydraulic cylinders producers.

c. Specificity

Steel bars are mainly used in construction, transportation, and utilities.¹⁴¹ Accordingly, consistent with the Department's previous findings,¹⁴² the provision of steel bars to hydraulic

¹³⁸ See 2026 NTE Report at 104-105. **Exhibit CVD-CN-36.**

¹³⁹ See Steel Fencing I&D Memo at 16.

¹⁴⁰ See 2026 NTE Report at 105. **Exhibit CVD-CN-36.**

¹⁴¹ See "Steel Bars – Types, Properties, and Uses in Construction," Website of Civil Tutorials, available at <https://civiltutorials.com/steel-bars/>. **Exhibit CVD-CN-45.**

¹⁴² See, e.g., Post-Preliminary Analysis Memorandum for the Countervailing Duty Investigation of Temporary Steel Fencing from the People's Republic of China, at 25-26 (Feb. 9, 2026) (ACCESS Barcode 4878805-01), unchanged in Steel Fencing I&D Memo at 6, 16 (finding the program to be specific through the application of adverse facts available due to the GOC's failure to provide necessary information).

PUBLIC DOCUMENT

cylinders producers for LTAR is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy are limited in number on an industry basis.

3. Provision of Hot-Rolled Steel Sheet for Less Than Adequate Remuneration

Hydraulic cylinders producers may use hot-rolled steel sheet and plate to manufacture the subject merchandise.¹⁴³ The Department has previously found SOEs accounted for the majority of hot-rolled steel production in China.¹⁴⁴ While the GOC has repeatedly refused to provide information on the production of majority-government-owned companies in the hot-rolled steel market in recent proceedings,¹⁴⁵ given that the GOC considers the steel sector to a “key” industry,¹⁴⁶ SOEs likely continue to account for the majority of domestic HRS production in China.

¹⁴³ See Petition Vol. I at section I.E.2.-3.

¹⁴⁴ Data provided by the GOC in the investigation of certain tool chests from China demonstrated that SOEs’ share of domestic hot-rolled steel production ranged between 55.28 percent and 60.89 percent in 2016. See Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China, at 18, 30 (Sept. 8, 2017) (ACCESS Barcode 3618419-02), ref’d in 82 Fed. Reg. 43,331 (Dep’t Commerce Sept. 15, 2017) (preliminary determination), unchanged in Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China at 7, 9, (Nov. 22, 2017) (ACCESS Barcode 3644273-02) (“Tool Chests I&D Memo”), ref’d in 82 Fed. Reg. 56,582 (Dep’t Commerce Nov. 29, 2017) (final determination).

¹⁴⁵ See, e.g., Decision Memorandum for the Preliminary Results in the Countervailing Duty Administrative Review of Mobile Access Equipment and Subassemblies Thereof from the People’s Republic of China; 2022, at 10-11 (Apr. 5, 2025) (ACCESS Barcode 4744342-02) (“Mobile Access Equipment 2022 AR Prelim Memo”) (applying AFA to find market distortion due the GOC’s failure to provide full and complete responses), ref’d in 90 Fed. Reg. 15,443, 15,444 (Dep’t Commerce Apr. 11, 2025) (preliminary results), aff’d Mobile Access Equipment 2022 AR I&D Memo at 5, Comment 2; Decision Memorandum for the Preliminary Affirmative Determination of the Countervailing Duty Investigation of Van-Type Trailers and Subassemblies Thereof from the People’s Republic of China, at 44-45 (June 1, 2026) (ACCESS Barcode 4925483-02), ref’d in 91 Fed. Reg. 34,222 (Dep’t Commerce June 5, 2026) (preliminary determination).

¹⁴⁶ See 14th Five-Year Raw Material Industry Development Plan at Preamble. **Exhibit CVD-CN-35.**

PUBLIC DOCUMENT

Large state-owned companies such as Baosteel¹⁴⁷ and Hebei Iron and Steel Group¹⁴⁸ manufacture hot-rolled steel sheet. The combined effect of the GOC's steel-specific industrial plans and direct ownership of the majority of hot-rolled steel producers allows the Chinese government to manipulate the sale of steel inputs to benefit downstream consumers, including hydraulic cylinders producers, in order to encourage its industrial policy for economic growth. Further, the comparison between export prices for hot-rolled steel to China and to the rest of the world demonstrates that Chinese prices were below world market prices in 2025.¹⁴⁹

Based upon this evidence and the Department's prior findings,¹⁵⁰ the GOC likely provides the subject producers with hot-rolled steel sheet for LTAR, warranting investigation by the Department.

a. Financial Contribution

The Department has determined that certain enterprises in China are government authorities within the meaning of the statute.¹⁵¹ See 19 U.S.C. § 1677(5)(B). Hence, the provision of hot-rolled steel sheet and plate for less than adequate remuneration by Chinese enterprises to

¹⁴⁷ See "Products," Website of Baosteel Group Co., Ltd., available at https://www.baosteelgroups.com/Products/index_3.html. **Exhibit CVD-CN-46.**

¹⁴⁸ See "Steel Material," Website of HBIS Group, available at <https://www.hbis.com/en/business/iron> (indicating that it produces "every category of steel & iron products" and "more than 200 steel products serving as import substitution.") **Exhibit CVD-CN-47.**

¹⁴⁹ See **Exhibit CVD-CN-48** (HRS Benchmark Comparison).

¹⁵⁰ See, e.g., Mobile Access Equipment 2022 AR I&D Memo at 5; Mobile Access Equipment OI I&D Memo at 16; Tool Chests I&D Memo at 9.

¹⁵¹ See Public Bodies Update at 3 ("This includes the findings that (1) any enterprise in China in which the government has a full or controlling ownership interest is a public body; (2) enterprises in China in which the government has significant ownership that are also subject to certain government industrial plans may be public bodies; and (3) certain enterprises that have little or no formal government ownership are public bodies if Commerce determines that the government exercises meaningful control over them."). **Exhibit CVD-CN-6.**

PUBLIC DOCUMENT

the subject producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

b. Benefit

Under section 771(5)(E)(iv) of the Act, Chinese producers of the subject merchandise are receiving a benefit to the extent that the price paid for hot-rolled steel sheet and plate is less than adequate remuneration for the input in question. See id. § 1677(5)(E)(iv). Through various SOEs, the Chinese hot-rolled steel industry is significantly distorted by government involvement, necessitating the use of world market prices to determine the benefit conferred by the GOC's provision of hot-rolled steel sheet and plate for LTAR. While the prices paid by hydraulic cylinders producers for productive inputs is not publicly available, the comparison between export prices for hot-rolled steel sheet to China and to the rest of the world demonstrates that Chinese prices were below world market prices on average in 2025.¹⁵² The GOC's provision of hot-rolled steel sheet and plate, therefore, likely confers a countervailable benefit.

c. Specificity

Hot-rolled steel is primarily used in the construction, equipment, transportation, storage tank, and structural component industries.¹⁵³ Thus, the provision of hot-rolled steel for less than adequate remuneration is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because it is provided to a limited number of Chinese industries, including the production of hydraulic cylinders.

¹⁵² See Table of 2025 Monthly Export Data for Hot-rolled Steel, United Nations Comtrade Database. **Exhibit CVD-CN-48** (hot-rolled steel benchmark comparison).

¹⁵³ See "Hot Rolled vs. Cold Rolled Steel: Which is Right for Your Project?," Website of Tata Steel, available at <https://digeca.tatasteel.com/blogs/hot-rolled-vs-cold-rolled-steel>. **Exhibit CVD-CN-49**.

PUBLIC DOCUMENT

4. **Provision of Forged Steel Blanks for Less Than Adequate Remuneration**

Production of the subject merchandise requires the use of forged steel blanks.¹⁵⁴ As noted above, SOEs dominant the Chinese steel market. In fact, state-owned Hebei Iron and Steel Group boasts that it manufactures “every category of steel & iron products,” including “more than 200 steel products” to serve as a domestic input provider for downstream Chinese producers.¹⁵⁵

Based on this evidence, and the Department’s prior findings on the provision of forged steel products from the GOC for LTAR,¹⁵⁶ and considering the provision of steel blanks for LTAR furthers the GOC’s policy objectives,¹⁵⁷ investigation into whether hydraulic cylinders producers benefitted from the provision of forged steel blanks for LTAR is warranted.

a. **Financial Contribution**

The Department has determined that certain enterprises in China are government authorities within the meaning of the statute.¹⁵⁸ See 19 U.S.C. § 1677(5)(B). Accordingly, the provision of forged steel blanks for less than adequate remuneration by Chinese enterprises to the

¹⁵⁴ See Petition Vol. I at section I.E.2.-3.

¹⁵⁵ See “Steel Material,” Website of HBIS Group (noting that its wide product offering serves “as import substitution.”) **Exhibit CVD-CN-47**.

¹⁵⁶ See, e.g., Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Forged Steel Fluid End Blocks from the People’s Republic of China, at 6 (Dec. 7, 2020) (ACCESS Barcode 4062773-02) (“Fluid End Blocks I&D Memo”), ref’d in 85 Fed. Reg. 80020 (Dept. Commerce Dec. 11, 2020).

¹⁵⁷ See Steel Upgrade Plan at Preamble. **Exhibit CVD-CN-34**; 14th Five-Year Raw Material Industry Development Plan at Preamble. **Exhibit CVD-CN-35**.

¹⁵⁸ See Public Bodies Update at 3 (“This includes the findings that (1) any enterprise in China in which the government has a full or controlling ownership interest is a public body; (2) enterprises in China in which the government has significant ownership that are also subject to certain government industrial plans may be public bodies; and (3) certain enterprises that have little or no formal government ownership are public bodies if Commerce determines that the government exercises meaningful control over them.”). **Exhibit CVD-CN-6**.

PUBLIC DOCUMENT

subject producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

b. Benefit

Pursuant to section 771(5)(E)(iv) of the Act and 19 C.F.R. § 351.511(a), a benefit is conferred to the extent that forged steel blanks are provided for less than adequate remuneration. The Department has previously found the GOC to provide forged steel products for LTAR.¹⁵⁹ In addition, the provision of steel blanks for LTAR furthers the GOC's policy objectives to develop downstream steel production through the low-priced inputs.¹⁶⁰ The GOC's provision of forged steel blanks, therefore, likely confers a countervailable benefit.

c. Specificity

Forged steel blanks are mainly used by the: (1) fluid power industry, for geroller, gerotor, and hydraulic motors; (2) industrial equipment sector, for conveyors, spreader drives, vehicle wheels, and winches; and (3) machinery industry, for customized applications.¹⁶¹ Thus, the provision of forged steel blanks is specific because the actual recipients of the subsidy are limited in number on an industry basis within the meaning of section 771(5A)(D)(iii)(I) of the Act.

5. Provision of Hydraulic Parts for Less Than Adequate Remuneration

Producers of the subject merchandise may rely on subcontractors to manufacture hydraulic parts and components. Because hydraulic cylinders production has been encouraged by the

¹⁵⁹ See, e.g., Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Forged Steel Fluid End Blocks from the People's Republic of China, at 6 (Dec. 7, 2020) (ACCESS Barcode 4062773-02), ref'd in 85 Fed. Reg. 80020 (Dept. Commerce Dec. 11, 2020).

¹⁶⁰ See Steel Upgrade Plan at Preamble. **Exhibit CVD-CN-34**; 14th Five-Year Raw Material Industry Development Plan at Preamble. **Exhibit CVD-CN-35**. 2026 NTE Report at 105. **Exhibit CVD-CN-36**.

¹⁶¹ See "Forging Blanks," Website of Grob, Inc. **Exhibit CVD-CN-50**.

PUBLIC DOCUMENT

GOC,¹⁶² and given the GOC's reliance on enterprises to implement its industrial development plans,¹⁶³ provision of hydraulic parts and components for less than adequate remuneration to the subject producers provides countervailable assistance. In fact, reasonably available information indicates that Chinese prices for hydraulic parts were significantly below corresponding world market prices throughout 2025.¹⁶⁴

Accordingly, the Department should initiate an investigation into whether Chinese hydraulic cylinders producers benefitted from the provision of hydraulic parts and components for LTAR during the POI.

a. Financial Contribution

The Department has determined that certain enterprises in China are government authorities within the meaning of the statute.¹⁶⁵ See 19 U.S.C. § 1677(5)(B). Thus, the provision of hydraulic parts and components for less than adequate remuneration by Chinese enterprises to the subject producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

¹⁶² See 2019 Catalogue for Guiding Industry Restructuring at 53, 55. **Exhibit CVD-CN-8**; Catalogue of Industries Encouraged for Foreign Investment at Category 17, subheading 151, Category 18, subheading 204. **Exhibit CVD-CN-9** (encouraging hydraulic cylinder production which would require access to productive inputs).

¹⁶³ See Public Bodies Update at 3 ("This includes the findings that (1) any enterprise in China in which the government has a full or controlling ownership interest is a public body; (2) enterprises in China in which the government has significant ownership that are also subject to certain government industrial plans may be public bodies; and (3) certain enterprises that have little or no formal government ownership are public bodies if Commerce determines that the government exercises meaningful control over them."). **Exhibit CVD-CN-6**.

¹⁶⁴ See Table of 2025 Monthly Export Data for Hydraulic Parts, United Nations Comtrade Database. **Exhibit CVD-CN-51** (hydraulic parts benchmark comparison).

¹⁶⁵ See Public Bodies Update at 3 ("This includes the findings that (1) any enterprise in China in which the government has a full or controlling ownership interest is a public body; (2) enterprises in China in which the government has significant ownership that are also subject to certain government industrial plans may be public bodies; and (3) certain enterprises that have little or no formal government ownership are public bodies if Commerce determines that the government exercises meaningful control over them."). **Exhibit CVD-CN-6**.

PUBLIC DOCUMENT

b. Benefit

A benefit is conferred to the extent that government authorities supply hydraulic engine parts for LTAR within the meaning of section 771(5)(E)(iv) of the Act. Although the prices paid by the subject producers for these inputs are not publicly available, the comparison between the average export price for hydraulic parts to China and the average export price for hydraulic parts to the rest of the world demonstrates that Chinese prices were 80 percent lower than world market prices in 2025.¹⁶⁶

c. Specificity

Because hydraulic parts and components are only used in to manufacture equipment, tools, machinery, and automotive components, the provision of hydraulic parts for LTAR is specific pursuant to section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy are limited in number on an industry basis.

6. Provision of Electricity for Less Than Adequate Remuneration

The Department has previously determined that Chinese electricity rates differ across regions, and has indicated that it would continue to investigate the provision of electricity at preferential rates.¹⁶⁷ Specifically, in Line Pipe, it was not until verification that the Department discovered that the NDRC establishes electricity rates for the provinces, and that the individual provinces do not establish these rates themselves.¹⁶⁸ As the Department stated,

{b}ecause this key aspect of our understanding of the level of government setting electricity rates came to light only at verification, we did not have the opportunity to seek additional

¹⁶⁶ See Exhibit CVD-CN-51 (hydraulic parts benchmark comparison).

¹⁶⁷ See, e.g., Issues and Decision Memorandum for the Final Affirmative Countervailing Duty Determination: Laminated Woven Sacks from the People's Republic of China, at 27 (June 16, 2008) (ACCESS Barcode 4740262-01) ("LWS I&D Memo"), ref'd in 73 Fed. Reg. 35,639, 35,641 (Dep't Commerce June 24, 2008) (final determination); Line Pipe I&D Memo at 29.

¹⁶⁸ See Line Pipe I&D Memo at 29.

PUBLIC DOCUMENT

information on the NDRC's price-setting methodology or its costs for electricity.¹⁶⁹

Further, the Department made clear that in

any future administrative review of this proceeding as well as in other China CVD proceedings (where relevant and practicable), we intend to investigate and analyze further the electricity rate-setting authority in China and the considerations that go into setting those rates to determine whether a countervailable benefit is provided by the administering authority.¹⁷⁰

Over the past few years, contrary to the GOC's contention that reforms in the Chinese electricity market have eliminated the NDRC's role in establishing electricity prices, the Department has repeatedly determined otherwise.¹⁷¹ For example, the GOC has claimed that several NDRC notices issued in 2015 transferred the responsibility for setting electricity prices from the NDRC to the provincial authorities.¹⁷² The Department has rejected the GOC's conclusion, stating:

Consequently, both Notice 748 and Notice 3105 explicitly direct provinces to reduce prices and to report the enactment of those changes to the NDRC. Neither Notice 748 nor Notice 3105 explicitly stipulates that relevant provincial pricing authorities determine and issue electricity prices within their own jurisdictions, as the GOC states to be the case. Rather, both notices indicate that the NDRC continues to play a seminal role in setting and adjusting electricity prices, by mandating average price adjustment targets with which the provinces are obligated to comply in setting their

¹⁶⁹ Id.

¹⁷⁰ Id.

¹⁷¹ See, e.g., Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from the People's Republic of China, at 15, Comment 2 (Dec. 4, 2017) ("Mechanical Tubing I&D Memo") (ACCESS Barcode 3648581-02), ref'd in 82 Fed. Reg. 58,175 (Dep't Commerce Dec. 11, 2017); Aluminum Foil OI I&D Memo at 8-9, Comment 23; Issues and Decision Memorandum for the Final Results of the Countervailing Duty Administrative Review of Truck and Bus Tires from the People's Republic of China; 2021, at 12, Comment 3 (July 6, 2023) ("Truck and Bus Tires 2021 AR Final Results Memo") (ACCESS Barcode 4399388-02), ref'd in 88 Fed. Reg. 44,260 (Dep't Commerce July 12, 2023) (final results).

¹⁷² See Mechanical Tubing I&D Memo at Comment 2.

PUBLIC DOCUMENT

own specific prices. Moreover, while Article IV of Notice 3169 does indicate that “local government and relevant departments should not designate the transaction price,” Articles 2 and 3 of Notice 3169 also make clear that the NDRC stipulates the formulae by which prices are to be adjusted.¹⁷³

More recently, the GOC asserted that a subsequent NDRC notice, issued in 2021, “eliminated” government-regulated electricity prices for commercial and industrial users, in light of the fact that the provinces purportedly no longer publish electricity rates for these consumers.¹⁷⁴ Again, the Department found the GOC unable to substantiate its claims.¹⁷⁵ As the Department explained:

We requested more explicitly that the GOC explain the “role, if any, the NDRC plays in regulating commercial and industrial electricity prices since October 2021 and provide all relevant documentation,” and that the GOC “explain the regulatory system for commercial and industrial electricity in the provinces in which the mandatory respondent purchased electricity and provide all relevant documentation.” In response, the GOC referred back to the elimination of commercial and industrial electricity prices from the schedule without making any attempt to explain whether or not the GOC still has a program of providing electricity for LTAR through other regulatory means. The GOC failed to provide any documentation with regard to NDRC’s role since October 2021 and, for the provinces, provided only the local implementation of the commercial and electricity elimination.¹⁷⁶

The GOC’s integral role in the Chinese electricity market, therefore, continued after these purported changes and into the prospective POI.

¹⁷³ Id. (citations omitted).

¹⁷⁴ See Truck and Bus Tires 2021 AR Final Results Memo at Comment 3; Issues and Decision Memorandum for the Final Results of the Countervailing Duty Administrative Review of Certain Aluminum Foil from the People’s Republic of China; 2021, at Comment 4 (Oct. 27, 2023) (“Aluminum Foil 2021 AR Final Results Memo”) (ACCESS Barcode 4455020-02), ref’d in 88 Fed. Reg. 75,267 (Dep’t Commerce Nov. 2, 2023).

¹⁷⁵ See id.

¹⁷⁶ Truck and Bus Tires 2021 AR Final Results Memo at Comment 3.

PUBLIC DOCUMENT

Petitioners have reason to believe that the NDRC employs preferential electricity rates as a policy tool to promote and encourage the development of China's hydraulic cylinders industry. Indeed, the GOC continues to manipulate electricity prices in order to benefit Chinese enterprises. For example, in the 13th Five-Year Plan, the GOC pledged to "reduce the energy costs of enterprises by better linking domestic and international energy prices as well as domestic coal and electricity prices."¹⁷⁷ Similarly, in order to "reduce the production and operating costs of enterprises," the 14th Five-Year Plan indicates that manufacturing enterprises will be "permitted" to participate in "market-oriented" electricity transactions.¹⁷⁸

Based on this evidence and precedent, the Department should investigate the provision of electricity for less than adequate remuneration to Chinese producers of hydraulic cylinders during the POI.

a. Financial Contribution

The provision of electricity for less than adequate remuneration by the Chinese government constitutes a financial contribution, as a good or service, in accordance with section 771(5)(D)(iii) of the Act.¹⁷⁹ See 19 U.S.C. § 1677(5)(D)(iii).

¹⁷⁷ See 13th Five-Year Plan at Chapter 22, Section 6. **Exhibit CVD-CN-12.**

¹⁷⁸ See 14th Five-Year Plan at Chapter 8, Section IV. **Exhibit CVD-CN-14.**

¹⁷⁹ The provision of electricity to individual companies does not fall within the "general infrastructure" exception of section 771(5)(D)(iii) of the Act because it cannot be construed as a financial contribution "created for the broad societal welfare," as required by 19 C.F.R. § 351.511(d). See, e.g., Mechanical Tubing I&D Memo at Comment 2; Issues and Decision Memorandum in the Countervailing Duty Investigation of Lightweight Thermal Paper from the People's Republic of China, at 22-24 (Sept. 25, 2008) (ACCESS Barcode 4740769-01) ("Thermal Paper I&D Memo"), ref'd in 73 Fed. Reg. 57,323 (Dep't Commerce Oct. 2, 2008) (final determination).

PUBLIC DOCUMENT

b. Benefit

A benefit is conferred under section 771(5)(E)(iv) of the Act to the extent electricity is provided to producers of hydraulic cylinders in China for less than adequate remuneration. See 19 U.S.C. § 1677(5)(E)(iv); 19 C.F.R. § 351.511(a).

c. Specificity

In prior countervailing duty investigations, the Department has found that the Chinese government charges different electricity rates to consumers in different jurisdictions in China.¹⁸⁰ This discriminatory provision of lower-cost electricity in designated geographic regions within the jurisdiction of the authority providing the subsidy renders this program regionally specific under Section 771(5A)(D)(iv) of the Act. See 19 U.S.C. § 1677(5A)(D)(iv).

7. Provision of Land for Less Than Adequate Remuneration in Special Economic Zones

In China, all land is owned by the State.¹⁸¹ As a result, the GOC has exceptional influence over supply of land, as well as over the terms on which it is offered for industrial use.¹⁸² In fact, the Department examined developments in China in light of purported land use reforms by the

¹⁸⁰ See Post-Preliminary Findings for New Subsidy Allegations in the Countervailing Duty Investigation of Lightweight Thermal Paper from the People's Republic of China, at 4-5 (Sept. 2, 2008) (ACCESS Barcode 4738264-01) ("The record further shows that the NDRC set different rate adjustments for different jurisdictions. These facts support a finding of regional specificity with respect to electricity rates in Guangdong Province."), unchanged in Thermal Paper I&D Memo at 22-23.

¹⁸¹ See, e.g., Line Pipe I&D Memo at 15.

¹⁸² See, e.g., Preliminary Affirmative Countervailing Duty Determination of Certain New Pneumatic Off-the-Road Tires from the People's Republic of China, 72 Fed. Reg. 71,360, 71,368 (Dec. 17, 2007) ("OTR Tires Preliminary Determination").

PUBLIC DOCUMENT

GOC and determined there have been no significant changes in the Chinese market.¹⁸³

Specifically, the Department concluded:

. . . these experimental, piecemeal reforms to date have not addressed the fundamental institutional factors that underlie the Chinese government's monopoly control over land use, which precludes landholders from putting their land to best use and realizing the market value of their landholdings. **The government still owns all land in China. It exercises direct control over the sale of land-use rights and land pricing in the primary market and indirect control in the secondary market through restrictions and limitations on land-use and land-use transfers. It is, therefore, the government (at the central and local level) that ultimately decides whether and how land is used in China under a unified but decentralized land planning system.**¹⁸⁴

Moreover, the Department also confirmed that the GOC's prices for land are not based on market principles, but rather reflect other considerations, "including fiscal revenue generation, local growth and employment objectives, state industrial policy objectives, and other political and strategic objectives."¹⁸⁵

The Department has previously found the GOC's granting of land use rights to select enterprises located in special economic zones to be countervailable.¹⁸⁶ Chinese hydraulic cylinders producers likely have benefitted from such land use rights. For example, Hengli

¹⁸³ See Memorandum for Gary Taverman Re: Benchmark Analysis of the Government Provision of Land-Use Rights in China for Countervailing Duty Purposes (Oct. 2, 2018) ("Land Analysis Memo"). **Exhibit CVD-CN-52.**

¹⁸⁴ Id. at 2 (emphasis added).

¹⁸⁵ Id. at 2-3.

¹⁸⁶ See, e.g., Post-Preliminary Analysis Memorandum for the Countervailing Duty Investigation of Temporary Steel Fencing from the People's Republic of China, at 42 (Feb. 9, 2026) (ACCESS Barcode 4878805-01) ("Steel Fencing Post-Prelim Analysis"), unchanged in Steel Fencing I&D Memo at 16; Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Common Alloy Aluminum Sheet from the People's Republic of China, at 45-48 (Apr. 16, 2018) (ACCESS Barcode 3696250-02) ("CAAS OI Prelim Memo"), ref'd in 83 Fed. Reg. 17,651 (Dep't Commerce Apr. 23, 2018) (preliminary determination), aff'd CAAS OI I&D Memo at 16, Comment 7; LWS I&D Memo at 14-18.

PUBLIC DOCUMENT

Hydraulic is located in the Wujin High-tech Industrial Development Zone in Jiangsu Province.¹⁸⁷ The Wujin High-tech Industrial Development Zone was initially established in 1996 as the first provincial-level high-tech industrial zone in Jiangsu Province and was upgraded to a national level high-tech industrial zone in 2012.¹⁸⁸ The Wujin Hi-tech Industrial Development Zone “focuses on the development on four leading industries: high-end equipment, electronic and intelligent information, energy conservation and environmental protection, and new-type transport.”¹⁸⁹

Based on this evidence, the Department should investigate whether producers of the subject merchandise in China benefitted from the provision of land for less than adequate remuneration due to their locations in special economic zones.

a. Financial Contribution

The provision of land for less than adequate remuneration by the Chinese government constitutes a financial contribution, as a good or service, in accordance with section 771(5)(D)(iii) of the Act. See 19 U.S.C. § 1677(5)(D)(iii).

b. Benefit

Pursuant to section 771(5)(E)(iv) of the Act, Chinese producers of the subject merchandise are receiving a benefit to the extent that the price or fees paid for use of GOC-owned land is less than adequate remuneration for the resource in question. See 19 U.S.C. § 1677(5)(E)(iv). As the Department has stated, the GOC sells land for “artificially low” prices and sometimes for no compensation at all.¹⁹⁰ The Department has repeatedly concluded that external benchmarks are

¹⁸⁷ See Hengli Hydraulic 2024 Annual Report at 81. **Exhibit CVD-CN-13.**

¹⁸⁸ See “Wujin National Hi-tech Industrial Zone,” Website of Invest in China, available at <https://investinchina.chinadaily.com.cn/s/201901/25/WS5c78efb6498e27e3380395a4/wujin-national-hi-tech-industrial-zone.html>. **Exhibit CVD-CN-53.**

¹⁸⁹ Id.

¹⁹⁰ See Land Analysis Memo at 28. **Exhibit CVD-CN-52.**

PUBLIC DOCUMENT

necessary to assess the adequacy of remuneration for land transactions in China.¹⁹¹ Further, Article 15 of China's WTO Accession Protocol allows the Department to "use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks."¹⁹² Thus, while the prices paid by the subject producers for land are not publicly available to Petitioners, in light of the Department's previous findings,¹⁹³ it is reasonable to conclude that land was provided for less than adequate remuneration and, thereby, conferred a countervailable benefit. See 19 C.F.R. § 351.511(a).

c. Specificity

The provision of land for LTAR in special economic zones is specific pursuant to section 771(5A)(D)(iv) of the Act because it is limited to an enterprise or industry in a designated geographical region. See 19 U.S.C. § 1677(5A)(D)(iv).

E. Grant Programs

1. Government Rewards and Subsidies for 'Little Giant' Enterprises

The "Little Giants" program was established by the Ministry of Industry and Information Technology ("MIIT") measures through the Notice of the General Office of the Ministry of Industry and Information Technology on Carrying Out the Cultivation of Specialized, Refined,

¹⁹¹ See id. at 30-31; see also LWS I&D Memo 14-18, Comments 10, 11; CAAS OI Prelim Memo at 45-48, aff'd CAAS OI I&D Memo at 16, Comment 7; Steel Fencing Post-Prelim Analysis at 35-37, unchanged in Steel Fencing I&D Memo at 13.

¹⁹² See Protocol on the Accession of the People's Republic of China to the World Trade Organization at sec. I, para. 15(b). **Exhibit CVD-CN-17.**

¹⁹³ See, e.g., LWS I&D Memo 14-18, Comments 10, 11; CAAS OI Prelim Memo at 45-48, aff'd in CAAS OI I&D Memo at 16, Comment 7; Steel Fencing Post-Prelim Analysis at 42, unchanged in Steel Fencing I&D Memo at 16.

PUBLIC DOCUMENT

Distinctive, and Innovative ‘Little Giant’ Enterprises.¹⁹⁴ That notice established the definition, selection criteria, and initial cultivation targets, directing MIIT to cultivate approximately 600 “Little Giant” enterprises over three years (2018–2020).¹⁹⁵ The program also was incorporated into the 14th Five-Year Plan Outline adopted by the National People’s Congress in March 2021, which directed the GOC to cultivate “Little Giant” enterprises and manufacturing champion enterprises.¹⁹⁶

“Little Giant” enterprises receive direct financial support, i.e., grants, from government authorities.¹⁹⁷ Subject merchandise producer Hengli Hydraulic has been designated as a “Little Giant” by MITT¹⁹⁸ and by Jiangsu Province’s Department of Industry and Information Technology.¹⁹⁹

The Department, therefore, should investigate whether Chinese production of the subject merchandise received countervailable assistance based on “Little Giant” designation by government authorities.

¹⁹⁴ See “Notice of the General Office of the Ministry of Industry and Information Technology on Carrying Out the Cultivation Work of Specialized, Refined, Distinctive and Innovative ‘Little Giant’ Enterprises,” Ministry of Industry and Information Technology (Nov. 26, 2018). **Exhibit CVD-CN-54.**

¹⁹⁵ See id.

¹⁹⁶ See 14th Five-Year Plan at Chapter 8, Section 2 (Mar. 13, 2021). **Exhibit CVD-CN-14.**

¹⁹⁷ See “Who Are the Little Giants? Chinese Tech SME Program In the Spotlight Again,” The U.S.-China Business Council (Apr. 7 2022). **Exhibit CVD-CN-55.**

¹⁹⁸ See “Announcement of the List of Jiangsu Province’s Seventh Batch of Specialized, Refined, and Innovative ‘Little Giant’ Enterprises and the List of Enterprises Passing the 2025 Review for Specialized, Refined, and Innovative ‘Little Giant’ Enterprises,” Nanjing Huanzhi Enterprise Management Consulting Co., Ltd. (Oct. 28, 2025). **Exhibit CVD-CN-56.**

¹⁹⁹ See “Company Announcement – Hengli Hydraulics: 2022 Corporate Social Responsibility Report,” Website of Sina Finance. **Exhibit CVD-CN-57.**

PUBLIC DOCUMENT

a. Financial Contribution

This program provides a financial contribution under section 771(5)(D)(i) of the Act in the form of a direct transfer of funds. See 19 U.S.C. § 1677(5)(D)(i).

b. Benefit

This program provides a benefit in the amount of the grant pursuant to section 771(5)(E) of the Act. See 19 U.S.C. § 1677(5)(E) and 19 C.F.R. § 351.504(a).

c. Specificity

This subsidy program is de jure specific under section 771(5A)(D)(i) of the Act, 19 U.S.C. § 1677(5A)(D)(i), because eligibility is based on a designation that is reserved for companies in niche high-tech industries. Alternatively, these grants are specific on a de facto basis under section 771(5A)(D)(iii)(I) of the Tariff Act because the actual recipients of the subsidy are limited in number. See 19 U.S.C. § 1677(5A)(D)(iii)(I).

2. GOC and Sub-Central Government Subsidies for the Development of Famous Brands

The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China ("AQSIQ"), a ministerial administrative body directly under the State Council, is responsible for the organization and implementation of state measures and policies on "the promotion . . . strategy of Famous Brand Names."²⁰⁰ As USTR has summarized, the Famous Brands and China World Top Brands programs provide

grants, loans, and other incentives to enterprises in China, apparently in part to implement an industrial policy of promoting the development of global Chinese brand names, and to increase

²⁰⁰ "General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China," IP Channel (Feb. 9, 2010). **Exhibit CVD-CN-58.**

PUBLIC DOCUMENT

sales of Chinese-branded and other Chinese merchandise around the world.²⁰¹

USTR has also stated that because these subsidies are explicitly tied to exports, they constitute prohibited subsidies under the WTO Agreement on Subsidies and Countervailing Measures.²⁰²

The Department has repeatedly found assistance provided to Chinese companies for a “Famous Brand” to be countervailable.²⁰³ Although the GOC has agreed in principle to eliminate this program following a WTO challenge, it remains unclear when, or if, the program will be terminated.²⁰⁴ In fact, the Department has found that the program was still in use in recent investigations.²⁰⁵

Subject producers likely have benefitted from this designation. According to its 2025 annual report, the “Hengli Hydraulics” brand “has gained high recognition in the international market.”²⁰⁶

In light of this evidence, the Department should investigate whether subject producers benefitted from these countervailable subsidy programs during the POI.

²⁰¹ WTO Dispute Settlement Proceeding Regarding China – Grants, Loans, and Other Incentives, 74 Fed. Reg. 7,494 (USTR Feb. 17, 2009) (notice and request for public comment).

²⁰² See id., 74 Fed. Reg. at 7,496.

²⁰³ See, e.g., Citric Acid OI I&D Memo at 13.

²⁰⁴ See “United States Wins End to China’s ‘Famous Brand’ Subsidies after Challenge at WTO; Agreement Levels Playing Field for American Workers in Every Manufacturing Sector,” Office of the United States Trade Representative (Dec. 18, 2009). **Exhibit CVD-CN-59**.

²⁰⁵ See, e.g., Decision Memorandum for the Preliminary Affirmative Determination in the Countervailing Duty Investigation of Steel Propane Cylinders from the People’s Republic of China, at 43 (Oct. 19, 2018) (ACCESS Barcode 3764375-02), ref’d in 83 Fed. Reg. 54,086 (Dep’t Commerce Oct. 26, 2018) (finding the subject producer received grants under this program, but that there was no measurable benefit), unchanged in Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Steel Propane Cylinders from the People’s Republic of China (June 17, 2019) at 11 (ACCESS Barcode 3850085-02), ref’d in 84 Fed. Reg. 29,159 (Dep’t Commerce June 21, 2019) (finding the program used, but with no benefit attributable to the POI).

²⁰⁶ See Hengli Hydraulic 2025 Annual Report at 13. **Exhibit CVD-CN-23**.

a. Financial Contribution

The Famous Brand program provides a financial contribution in the direct transfer of funds pursuant to section 771(5)(D)(i) of the Act. See 19 U.S.C. § 1677(5)(D)(i).

b. Benefit

Chinese hydraulic cylinders producers receive a benefit as defined by section 771(5)(E) of the Act and 19 C.F.R. § 351.504(a) from Famous Brand grants that are provided by the national, provincial, or local government. See 19 U.S.C. § 1677(5)(E).

c. Specificity

As the Department has found, grants made pursuant to the Famous Brand program are contingent on export performance alone or as one of two or more conditions and, thus, are countervailable in accordance with sections 771(5A)(A) and (B) of the Act.²⁰⁷ See 19 U.S.C. § 1677(5A)(A), (B).

3. Foreign Trade Development Grants

The Department has previously countervailed the GOC's provision of grants under the Foreign Trade Development Fund.²⁰⁸ Under this program, the GOC provides grants to support exporting companies by working to:

improve the competitiveness of their exported products, to develop an export processing base, to support the registration of trademarks in foreign countries, to support the training of foreign trade professionals, and to explore international markets.²⁰⁹

²⁰⁷ See, e.g., Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Aluminum Extrusions from the People's Republic of China (PRC), at 18 (Mar. 28, 2011) (ACCESS Barcode 4741375-02), ref'd in 76 Fed. Reg. 18,521, 18,522 (Dep't Commerce Apr. 4, 2011).

²⁰⁸ See, e.g., Calcium Hypochlorite I&D Memo at 17; Line Pipe I&D Memo at 20.

²⁰⁹ See, e.g., Line Pipe I&D Memo at 20.

PUBLIC DOCUMENT

Chinese hydraulic cylinders producers have likely received benefits under this program because of their export orientation.²¹⁰

a. Financial Contribution

Under this program, the GOC provides a financial contribution within the meaning of section 771(5)(D)(i) of the Act through the direct transfer of funds. See 19 U.S.C. § 1677(5)(D)(i).

b. Benefit

This program provides a benefit under section 771(5)(E) of the Act in the amount of the grant. See 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.504(a).

c. Specificity

This program is specific within the meaning of sections 771(5A) and (B) of the Act because it is contingent upon export. See 19 U.S.C. § 1677(5A)(A), (B).

4. Export Assistance Grants

The Department has previously found the GOC's provision of export assistance grants to Chinese companies to be countervailable.²¹¹ As the Department concluded in its investigation of Galvanized Steel Wire from China, Chinese companies receive export assistance grants to aid in the development of export markets or to recognize export performance.²¹²

²¹⁰ See Hengli Hydraulic 2025 Annual Report at 13 (indicating it had established “a wide marketing network in Europe, North America, Japan, and other regions to serve customers”). **Exhibit CVD-CN-23.**

²¹¹ See Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Galvanized Steel Wire from the People's Republic of China at 17-18 (Mar. 19, 2012) (“Galvanized Steel Wire I&D Memo”) (ACCESS Barcode 3064920-01), ref'd in 77 Fed. Reg. 17,418 (Dep't Commerce Mar. 26, 2012) (final determination); Issues and Decision Memorandum for the Final Determination, Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People's Republic of China at 32 (Mar. 16, 2012) (ACCESS Barcode 3065038-02), ref'd in 77 Fed. Reg. 17,017 (Dep't Commerce Mar. 23, 2012) (referencing receipt of various local export assistance grants) (final determination).

²¹² Galvanized Steel Wire I&D Memo at 17-18.

PUBLIC DOCUMENT

Chinese hydraulic cylinders producers likely received benefits under this program given their focus on export markets. For example, Hengli Hydraulic is “determined to break into overseas markets” and has “exported to developed countries and regions such as Europe, America, and Japan”²¹³ Further, as described in section IV.F. of Volume I of this petition, Chinese hydraulic cylinder producers are heavily export-oriented.

a. Financial Contribution

Export Assistance Grants constitute a financial contribution within the meaning of section 771(5)(D)(i) of the Act in the form of a direct transfer of funds. See 19 U.S.C. § 1677(5)(D)(i).

b. Benefit

The benefit from such export assistance grants equals the amount of the grant under section 771(5)(E) of the Act. See 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.504(a).

c. Specificity

Export assistance grants are specific under sections 771(5A)(A) and (B) of the Act because they are contingent on export. See 19 U.S.C. § 1677(5A)(A), (B).

5. Grants for Energy Conservation and Emission Reductions

In 2015, the Ministry of Finance issued the Interim Measures for the Administration of Energy Saving and Emission Reduction Subsidy Funds.²¹⁴ These measures provide for payments in the form of grants, awards, and interest payment subsidies to support projects related to (i) institutional innovations in energy conservation and emission reduction; (ii) basic capacity for energy conservation and emission reduction and construction of public platforms; (iii)

²¹³ See Hengli Hydraulic 2025 Annual Report at 11, 13. **Exhibit CVD-CN-23.**

²¹⁴ See “Notice of the Ministry of Finance on Printing and Distributing the Interim Measures for the Administration of Energy Saving and Emission Reduction Subsidy Funds, Cai Jian No. 161,” Ministry of Finance (May 12, 2015). **Exhibit CVD-CN-60.**

PUBLIC DOCUMENT

comprehensive demonstration of fiscal policies for energy conservation and emission reduction; (iv) energy conservation and emissions reduction in key areas and industries; (v) demonstration, promotion, and upgrading related to key priority energy conservation and emissions reduction technologies; and (vi) other relevant items.²¹⁵ The GOC allocates funds from the central government budget or through similar funds established by sub-central levels of government.²¹⁶ The Department has previously found benefits from energy conservation and emissions reduction grants to be countervailable.²¹⁷

According to its 2024 annual report, Hengli Hydraulic reduced its energy consumption and carbon emissions through the installation of 5.5 megawatt photovoltaic power generation system.²¹⁸ Further, Hengli Hydraulic's business plan includes a commitment to "green manufacturing and energy-saving processes to improve production efficiency."²¹⁹

In light of this information, the Department should initiate an investigation into whether subject producers received Grants for Energy Conservation and Emissions Reduction during the POI.

a. Financial Contribution

Grants for Energy Conservation and Emissions Reduction constitute financial contributions within the meaning of section 771(5)(D)(i) of the Act because they are direct transfers of funds from the government. See 19 U.S.C. § 1677(5)(D)(i).

²¹⁵ See id. at Article 4.

²¹⁶ See id. at Article 6.

²¹⁷ See, e.g., Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China, at 14 (Feb. 1, 2017) (ACCESS Barcode 3540616-02), ref'd in 82 Fed. Reg. 9,714 (Dep't Commerce Feb. 8, 2017) (final determination).

²¹⁸ See Hengli Hydraulic 2024 Annual Report at 39. **Exhibit CVD-CN-13.**

²¹⁹ See Hengli Hydraulic 2025 Annual Report at 25. **Exhibit CVD-CN-23.**

b. Benefit

Pursuant to section 771(5)(E) of the Act and section 351.504(a) of the Department's regulations, the program provides a benefit in the amount of the grant. See 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.504(a).

c. Specificity

The GOC grants the subsidy on a limited basis to six types of applications. This indicates that the program is de jure specific within the meaning of 771(5A)(D)(i), and that the recipients of the subsidy are limited in number within the meaning of section 771(5A)(D)(iii)(I) of the Act. See 19 U.S.C. § 1677(5A)(D)(i), (D)(iii)(I).

6. National Key Research and Development Program

Under the National Key Research and Development Program, designated projects are provided “pre-funding, post-funding, and milestone grants” to support research that is important to the national economy.²²⁰ Jointly administered by the Ministry of Science and Technology and the Ministry of Finance, government funding is awarded to “strategic, fundamental, and forward-looking major scientific issues, key common technologies and product development that are related to the core competitiveness of industries, overall independent innovation capabilities and national security.”²²¹

Hengli Hydraulic's 2025 annual report states that its “collaborative research and development project, ‘National Key Research and Development Program - Research on Key Technologies of Distributed Independent Electro-hydraulic Control System for Excavators,’ was

²²⁰ See “Notice from the Ministry of Science and Technology and the Ministry of Finance on Issuing the ‘Interim Measures for the Management of the National Key Research and Development Programs,’” Guoke Fazi (2024), No. 28 (Mar. 31, 2024), at Articles 2, 31. **Exhibit CVD-CN-61.**

²²¹ See id. at Article 2.

PUBLIC DOCUMENT

successfully completed.”²²² Production of the subject merchandise, therefore, has been recognized as a key area for R&D by the GOC.

Based on this evidence, the Department should initiate an investigation into this program.

a. Financial Contribution

Through this program, the GOC provides a direct transfer of funds, constituting a financial contribution in accordance with section 771(5)(D)(i) of the Act. See 19 U.S.C. § 1677(5)(D)(i).

b. Benefit

Pursuant to section 771(5)(E) of the Act and section 351.504(a) of the Department’s regulations, the National Key Research and Development Program provides a benefit in the amount of the grant. See 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.504(a).

c. Specificity

Only R&D projects that are designated as “key” are eligible to receive funding under this program. This indicates that the program is de jure specific within the meaning of 771(5A)(D)(i), and that the recipients of the subsidy are limited in number within the meaning of section 771(5A)(D)(iii)(I) of the Act. See 19 U.S.C. § 1677(5A)(D)(i), (D)(iii)(I).

III. CONCLUSION AND REQUEST FOR INVESTIGATION

As demonstrated above, Chinese central, provincial, and local governments likely have provided substantial countervailable subsidies to Chinese producers of hydraulic cylinders, including the promotion of exports of the subject merchandise, to encourage industrial growth and outward expansion, industrial and economic development, and steady or increasing employment. Based on this information, Petitioners request that the Department initiate a countervailing duty investigation of hydraulic cylinders from China.

²²² See Hengli Hydraulic 2025 Annual Report at 12. **Exhibit CVD-CN-23.**