

## Attachment 1: NCTO Review of Chinese Government Subsidies for Textile Industry

Subsidy	Relevance	Description	Financial
1 (Title Unknown)	Specific	Benefits under the 2006 <i>Notice of Relevant Policies to Promote Chinese Textile Enterprises to Shift to New Ways of Growth and Support Them to Go Global</i> . -- WTO consistency questioned	Government funding for textile companies to set up distribution channels in overseas markets.
2 <b>Brand Building Incentives (Shishi City of Fujian Province)</b>	Applicable	Shishi City of Fujian Province offers monetary incentives based on achievements in brand building. Under the city's most recent award measures, textiles and apparel companies with well-known brand names recognized by the State Administration of Industry and Commerce or the Administration of Quality Supervision, Inspection and Quarantine can receive a lump-sum award of RMB 500,000; for companies with well-known export brand names, the award is RMB 400,000. In addition, companies that have received quality inspection waivers from the national government are eligible for awards of RMB 100,000 from the Shishi City government.	Award amounts range from RMB 100,000-500,000
3 <b>Brand Development Fund</b>	Applicable	The fund should serve the following purposes: To support companies in implementation of brand development programs, to support companies in participation of national and international exhibitions, to support brand promotion activities, To support international exchanges, trainings and seminars related to brand building, and to support other public services that facilitate brand building.	The Ministry of Commerce and the Ministry of Finance appropriate the fund to provincial governments who are required to formulate their own measures on the administration of the fund.  (Note: With respect to the amount of the grants, for corporate development projects, each project can receive a grant up to RMB 200,000 or 50 percent of the actual expenses required by the project; public services projects, if covered under the public services project plan jointly determined by the provincial foreign trade bureau and finance bureau, can be fully subsidized)
4 <b>Discounted lending rates</b>	Applicable	Discounted lending rates available to companies that satisfy certain export performance requirements.	"Honorable Enterprises for Collection of Export Receipts and Foreign Exchange" may receive up to a 10% reduction in lending rates of RMB loans extended by commercial banks based on the lending rates fixed by People's Bank of China.
5 <b>Export Awards (Local export-related awards)</b>	Applicable	Certain local export-related awards.	Information available to the U.S. indicates that various Chinese government entities at the sub-central level provide awards and direct payments for exports by a wide-range of industries. There are regional programs that tie monetary awards solely to the amount exported or to a percentage growth above the previous year's export totals. --WTO consistency is questioned.
6 <b>Export Incentive Program (Ningbo City's Jiangdong District Export Contingent Award for Increasing Exports of Textiles and Apparel Goods)</b>	Specific	A program in Ningbo City's Jiangdong District offers benefits to certain textile and apparel companies. Example: Textile and apparel companies that export more than USD \$1 million per year in this district are eligible for an award for each dollar of textiles and apparel exports which exceed the previous year's total. -- WTO consistency is questioned	
7 <b>Export Incentive Program</b>	Applicable	Export Interest Subsidy Funds for Enterprises Located in Zhejiang and Guangdong Provinces.	Export Interest Subsidy of \$0.03 for every \$1 of general merchandise procured in Shenzhen exported. Guandong provides a \$1250 subsidy for enterprises with more than \$1 million in exports.
8 <b>Export Incentive Program (contingent support)</b>	Applicable	Export Contingent Support for Famous Name Brand Products In order to increase Chinese name brand exports and limit its reliance on foreign name brand exports, the Chinese Government is offering the following incentives: An Export Brands Development Fund to develop and promote designated exports; Preferential funding for research and development products; Support for technology to strengthen the competitiveness of famous brand exports; Special assistance for domestic brand name enterprises to establish state-level R&D centers; Simplified loan application procedures and easy access to export credit insurance.  Similar or implementing programs offered at the central or sub-central government levels	
9 <b>Export Incentive Program (Credits)</b>	Applicable	As reported by MOFCOM, Dalian Branch of the Export-Import Bank would provide RMB 5 billion of export credits to companies to enter global markets, and, since November 2003, "low-cost credit provided by the bank has saved the enterprises RMB 150 million interest."	RMB 5 billion of export credits

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10 Export Incentive Program (Credits)	Applicable	Export credits offered by China Development Bank to support sectors considered to be essential to China's long-term competitiveness and specifically for companies engaging in R&D, Chinese brand name companies, and certain companies in overseas expansion. --- WTO consistency is questioned	
11 Export Incentive Program (Export-oriented enterprises preferential policies)	Applicable	As reported from the website of Shanghai Foreign Investment Center, export-oriented enterprises enjoy various preferential policies in the use of land, water, electricity, transportation, telecommunication, short-term funds and necessary loans, as well as local income tax exemption after expiration of normal income tax exemption if more than 70% of the production is exported. --- WTO consistency is questioned	
12 Export Incentive Program (Government Assistance to increase fabric exports)	Specific	Measures under the program of upgrading the textile industry through accelerating technical reforms and strategic restructuring of textile enterprises, including substituting imported fabrics or expanding fabric exports.-- WTO consistency is questioned	
13 Export Incentive Program (Guangdong Grants)	Applicable	Guangdong Grants provided for export performance.	The Guangdong provincial government has introduced a program to provide RMB 25 million in grants over five years to export-oriented companies meeting specific export targets. --- WTO consistency is questioned
14 Export Incentive Program (Hangzhou City of Zhejiang Province)	Specific	Benefits are extended to exporters on the basis of the total amount of exports.	Award amounts range from RMB 10,000-10,000
15 Export Incentive Program (Interest Subsidy)	Applicable	As reported by www.tdctrade.com, the Export Interest Subsidy for Shenzhen Enterprises has been raised from 20% to 40%.	The policy of subsidizing USD \$0.03 for every USD \$1 export of general merchandise is only applicable to merchandise procured in Shenzhen. SMEs with exports below USD \$15 million are eligible to apply. Fund allocation is on a first-comefirst- serve basis. The fund would provide RMB 800 million in 2004. --- WTO consistency is questioned.
16 Export Incentive Program (Ningbo City of Zhejiang Province)	Specific	Ningbo City of Zhejiang Province has been subsidizing certain textiles and apparel exporters since 1999. Under the Measures on Awarding Brand Name Textile and Apparel Exports issued in 1999, exporters of textile and apparel products with trademarks registered overseas and annual exports of over USD \$200,000 can receive monetary awards for the increment in exports over the previous year; to be more specific, an award of RMB 0.03 for every U.S. dollar of textile exports and an award of RMB 0.05 for every U.S. dollar of apparel exports	An award of RMB 0.03 for every U.S. dollar of textile exports and an award of RMB 0.05 for every U.S. dollar of apparel exports.
17 Export Incentive Program (Subsidy Fund)	Applicable	As reported from Zhejiang Province, an Export Subsidy Fund based on a federal program .	Enables regional authorities to provide all exporting companies exporting more than USD \$3 million with a subsidy of 0.01 RMB per each USD \$ exceeding this threshold. --- WTO consistency is questioned.
18 Foreign Investment (Free Land)	Applicable	Free Land Given as Part of Foreign Investment Projects.	The Yinchuan government grants foreign investors, which meet certain investment conditions, land valued at twice the amount of an investor's original investment.
19 Foreign Trade Activities (Special) Funds	Applicable	Reported by www.tdctrade.com, the Guangdong provincial government supports private enterprises to "expand outward," and eligible private enterprises may apply for special funds conceived for developing foreign trade activities. These funds include market exploration, export credit insurance, offshore processing trade project loan interest subsidy, export research and development fund, antidumping proceedings fund, export rebate account loan interest subsidy fund, and outward-looking enterprises development fund. --- WTO consistency is questioned	
20 Foreign Trade Development Fund (Central Foreign Trade Development)	Applicable	The Central Foreign Trade Development Fund. The alleged purpose of the Fund is: to regulate and promote foreign trade; to encourage the development and export of new electronic, deep-processing, high-tech and high value-added products; and to increase Chinese export capacity and competitiveness	
21 Go Global (One of special funds for brand development)	Specific	Special fund (support program of central government) to support restructuring of textile industry and the efforts of chinese textile companies to "go global".	The initial scale of the fund is RMB 1.35 billion with RMB 560 million dedicated to projects related to technology innovation and restructuring and RMB 800 million for the "go global" operation.

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22	Hangzhou Municipal Government cooperation	Specific	In January 2006, the Chinese National Textile and Apparel Industry Council (CNTAC) and the Hangzhou Municipal Government signed a cooperation agreement under which CNTAC will give priority support to the upgrading of the textile industry in Hangzhou, a textile powerhouse in China. As part of the cooperation, the two sides will join hands to establish a textile circulation and innovation service platform with a total investment of RMB 320 million in the Xiaoshan district of Hangzhou City, the largest polyester manufacturing base in the world.
23	Import licensing exemption	Applicable	Import licensing exemption on products imported by FIEs to produce goods for export.
24	Income Tax Program (Benefits under new Enterprise Income Tax Law)	Applicable	Benefits under new Enterprise Income Tax Law  The government may extend tax benefits to companies engaged in industries the development of which is supported and encouraged by the State --WTO consistency questioned The existing tax benefits may be granted a grace period of up to 5 years. --consistency questioned
25	Income Tax Program (Exemption and Reduction)	Applicable	Local income tax exemption and reduction program for "productive" FIEs. Pursuant to Chinese tax regulations, local provinces authorize their own tax exemptions to specific industries, i.e. 'productive FIEs within their jurisdiction
26	Income Tax Program (Exemption)	Applicable	Income tax exemption on profits made by certain FIEs.  Profits distributed to foreign investors by foreign-invested enterprises that export more than 50% of their products, or that utilize foreign advanced technology to produce products for export, are exempt from income tax.
27	Income Tax Program (Exemption)	Applicable	Income Tax Exemptions Program for FIEs located in certain geographic locations. Following the conclusion of the "two free, three half" program, FIEs located in specific designated locations can continue to pay income tax at only half the normal rate.  Income tax at only half the normal rate.
28	Income Tax Program (Rate)	Applicable	Under China's newly-enacted Enterprise Income Tax Law which equalizes the income tax rate for domestic and foreign enterprises at 25 percent, state-encouraged new- and high-technology enterprises can enjoy a favorable 15 percent income tax rate. (In an effort to encourage domestic and foreign companies to invest in the manufacturing of advanced textile machinery.)
29	Income Tax Program (Reduction)	Applicable	Income tax reduction available to foreign-invested companies for the purchase of Chinese-produced equipment.  Foreign-invested companies can deduct 40% of the cost of purchasing domestically-produced equipment that is w/in the total investment of the project, or beyond the total investment of the project but for the purpose of upgrading existing equipment, from the increment in income tax in the year the equipment is purchased compared to previous year. --WTO consistency is questioned
30	Income Tax Program (Reduction)	Applicable	Income tax reduction available to Chinese companies for the purchase of Chinese-produced equipment.  For technology renovation projects consistent with the national industrial policies, 40% of the cost to purchase domestically-produced equipment required in the projects can be deducted from the increment in income tax in the year the equipment is purchased compared to the previous year. --WTO consistency is questioned
31	Income Tax Program (Reduction)	Applicable	Income tax reduction available to foreign-invested companies that satisfy certain export performance requirements.  After the expiration of the normal reduction or exemption of income tax for production oriented FIEs, foreign-invested exporting companies can pay income tax at one-half of the present rate, provided 70% of their products are exported. -- WTO consistency is questioned
32	Income Tax Program (Reduction)	Applicable	Income tax reduction available to foreign-invested companies that satisfy certain export performance requirements.  Foreign-invested companies engaged in industries allowed by the State that export all of their products may pay a reduced income tax of 15% --WTO consistency is questioned
33	Income Tax Program (Refund)	Applicable	Income tax refund available to foreign-invested companies that reinvest profits in certain qualified projects in China.  Foreign investors who reinvest their profits to establish or expand exporting companies or technologies-advanced companies for a period of operation of not less than five years shall be refunded the total amount of income tax already paid in reinvested portion. --WTO consistency is questioned

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34	Income Tax Program (Refund)	Applicable	Corporate Income Tax Refund Program for reinvestment of FIE profits in export-oriented enterprises. Per the Chinese Ministry of Finance's authorization, that FIEs, or foreign investors in Chinese companies that re-invest profits into the same FIE or use the profits to establish another FIE are eligible for complete refund of the corporate income tax already paid on the invested amount, so long as the recipient is export oriented and scheduled to operate for five years.	Complete refund of corporate income tax already paid on the invested amount.
35	Land Grant Program	Applicable	Provision of Land for Less than Adequate Remuneration GOC Grant Programs. The GOC provides discounted land to SOEs in the high tech industry. Additionally, provincial governments provide subsidies through lease arrangements on land to targeted industrial sectors (including textile).	
36	Legal Fees Reimbursements	Applicable	Reported by www.tdctrade.com and China Daily, the Shenzhen WTO affairs office sponsors a fund of more than 10 million in order to reimburse up to 30% of legal fees incurred by local export companies facing antidumping lawsuits. --- WTO consistency is questioned.	A fund of more than 10 million
37	Lending Program	Specific	Excessive lending to the textile industry noted by the secretary-general of the China Cotton Association and that 'the Chinese Government will loosen up credit lending controls to textile companies' as reported on a 2004 China Daily article.	
38	Loan Interest Subsidy (Environmental projects loan)	Applicable		
39	Loan Programs	Applicable	Loan Forgiveness for (LWS/Textile) Producers by the GOC. The GOC allowed textile companies to file bankruptcy and allowed to write off debt. The GOC has also created a reserve fund to accommodate this debt.	
40	Local Textile Industrial Parks	Specific	Incentives provided to investors include tax benefits, preferential treatment in land use, preferential treatment in administrative fees.	
41	Model enterprises allowance	Applicable		
42	Ningbo Export Contingent Aid for Textile Exporters- "Export Branding"	Specific	Information available to the US indicates to that the Ningbo City Int'l Trade and Economic Cooperation Bureau provides benefits to the city's top eight textiles and apparel brand enterprises which export more than USD \$20 million.	The top eight brand companies which meet the qualifications receive and award of RMB 50,000.
43	Northeast revitalization program (portion of)	Applicable	Continued use of state-owned banks to keep non-viable SOEs afloat.	Writing off non-performing loans of SOEs as part of the Northeast revitalization program; one example is that Heilongjiang Province agreed to write off RMB 36 billion worth of non-performing loans of SOEs. --- WTO consistency is questioned.
44	Policy Loans	Applicable	Discounted Loan Program. Discounted loans, interest subsidies, and debt forgiveness are provided through policy banks and state-owned banks providing policy loans.	
45	Preferential Loans	Applicable	Preferential loans provided by the Chinese government.	According to a document posted by the Jiangsu Province Tax Bureau in September 2004 entitled "Tax Reimbursement Regime on Exported Goods in China," exported goods that are "manufactured by using preferential loans of the Chinese government" will be "given approval to reimburse or exempt VAT or consumption tax due to some special features such as . . . turnover linkages and settlement methods, etc."
46	Subsidies (incentives)	Specific	Reported subsidies in the textile industry in connection with manufacturing or raw materials, the financing mill establishments, and the purchase and selling of raw materials, e.g., certain tax incentives and preferential rents provided to textile companies located in Changzhou City of Jiangsu Province.	
47	Subsidies (state-owned enterprises)	Applicable	Subsidies to state-owned enterprises operating at a loss. --- WTO consistency is questioned.	
48	Subsidy (energy)	Applicable	Provision of Electricity for Less than Adequate Remuneration. The GOC provided cut-rate electricity to SOEs in the high tech industries (including textiles).	
49	Tax (Preferential) Program	Applicable	Preferential Tax Policies for (FIEs) Township Enterprises (entrepreneurial endeavors) based in rural areas.	Under this program, they only pay 90 percent of both national and provincial income taxes.

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50	<b>Tax Exemption (Repayment)</b>	Applicable	Repayment tax exemption on certain products generated by FIEs.	By-products, substandard products and leftover industrial surplus generated by FIEs while producing goods for export, are exempt from repayment tax when sold domestically. Such products, if generated while producing goods for domestic consumption, are not exempt.
51	<b>Tax exemption program (Consolidated and commercial tax)</b>	Applicable	Consolidated and commercial tax exemption on products exported by FIEs.	Export products of enterprises with foreign investment, except crude oil, oil products, and other products subject to special State provisions, shall be exempt from the consolidated and commercial tax.
52	<b>Tax Program</b>	Applicable	Preferential Tax Policies for Research and Development. The GOC provides tax benefits to FIEs engaged in research and development.	An FIEs expenses for R&D may be offset 150 percent from the year's taxable income (is expenses have increased by at least ten percent over the previous year).
53	<b>Tax Program</b>	Applicable	Tax Subsidies to FIEs in Specially Designated Geographic Areas designated by the GOC as "free trade zones," "high technology zones," or other such zones. Subsidies include reduced tax rates.	
54	<b>Tax Programs (Preferential)- Tax &amp; Tariff Incentives for Select Industries</b>	Applicable	Tax & Tariff Incentives for Select Industries. The GOC through its tax regulations has provided tax incentives through tax and tariff exemptions on imported equipment as well as new construction and upgrade projects from the fixed asset tax.	
55	<b>Tax Programs (Preferential)-Tax Incentives for FIE</b>	(pending)	Tax Incentives for FIE. FIEs that invest in GOC preferred industries receive tax benefits.	Ex: GOC provides a full VAT rebate on the purchase of domestically manufactured equipment and income tax deductions for investment in domestically manufactured equipment.
56	<b>Tax Programs and Import Tariff Programs</b>	Applicable	VAT and Tariff Exemptions for FIEs Using Imported Technology and Equipment in Encouraged Industries. The program is designed to encourage foreign investment and to introduce foreign advanced equipment.	Exemption from paying tariffs and VAT on imported equipment.
57	<b>Technology (Clean Production) Grant Programs</b>	(pending)	Clean Production Technology Fund. The purpose of this program is to provide incentives and rewards (monetary and non-monetary) to encourage enterprises to conduct clean product inspections.	
58	<b>Technology (Digital) demonstration program assistance</b>	Applicable		
59	<b>Technology Development Fund (Ningbo City Key Industry Technological Development)</b>	Applicable	Ningbo City Key Industry Technological Development Fund. The purpose of the fund is to assist key industries in their technological upgrading projects, expand their sales and assist companies in applying to be considered a national famous brand.	According to the MOFCOM website, Ningbo City has set up an RMB one billion special fund to support four fast-growing key industries, namely, electronic information, new materials, auto/auto parts, and machinery production industries. The maximum subsidy for a qualified enterprise or project is RMB five million.
60	<b>Technology Grant Programs</b>	Applicable	State Key Technology Renovation Fund. The program is to promote technology renovation in key industries and key products.	Grants are disbursed in the form of "project investment facility" grants covering two years's worth of interest payable on loans to fund the project, or up to three years in certain regions. Grants may also be disbursed as "loan interest grants" which are calculated in reference to the amount of the project loan and prevailing interest rates.
61	<b>Technology Grant Programs</b>	Applicable	Grants and other funding for high technology equipment for the textile industry.	
62	<b>Technology Grants (High-tech project support grants)</b>	Applicable		
63	<b>Technology Incentive Program (Assumption of Interest on Loans for Technology Upgrades)</b>	Specific	Government payment of interest on bank loans for the technology upgrades of state-owned enterprises, including textile enterprises.	
64	<b>Technology Innovation Grants</b>	Applicable	Technological Innovation Funds Provided by Zhejiang Province.	This program provides payments ranging from \$3,750 to \$6,250 (if the product is consistent with national/provincial economic plans).

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65 <b>Technology Innovation-Loan interest subsidies</b>	Applicable	Local governments are providing loan interest subsidies to support technological innovation projects. Zhongshan City, for example, has provided loan interest subsidies that cover 30-40 percent of the actual interest payments on loans.	
66 <b>Ten Thousand Miles March for Brand Building</b>	Applicable	The government has launched a campaign under which companies whose brand names are certified as "famous" will be given free media publicity. Public funds are awarded to cover part of the brand-building expenditures. Local government assistance for brand name building is also available to textiles and apparel companies. (Ningbo City, home to several leading textile manufacturers, has been providing awards to companies that export textiles and apparel products under their own foreign-registered brand names.	Free media publicity Funds given to cover brand building expenditures
67 <b>The "Two Free, Three Half" Program</b>	Applicable	Under Chinese law, an FIE that is 'productive' and is scheduled to operate for not less than ten years may be exempted from income tax in the first two years of profitability and pay income taxes at half the standard rate for the next three years.	Applicable companies are exempted from income tax in the first two years of profitability and pay income taxes at half the standard rate for the next three years.
68 <b>Trade Promotion Fund</b>	Specific	The Trade Promotion Fund for Agriculture, Light Industry and Textile Products. Textile companies that have conducted R&D projects for new products or have been contracted for state or provincial research projects in the past three years, as well as textile industry associations with a membership of not less than 500 that have hosted national or international exhibitions, seminars and trainings in the past three years, are both eligible to receive grants from the fund.	Each project related to the technology service platforms can be subsidized with a grant up to RMB 2 million.
69 <b>Value Added Tax (Refund)</b>	Applicable	Full VAT refund available to foreign-invested companies for the purchase of Chinese-produced equipment. --WTO consistency is questioned	
70 <b>Value Added Tax (Special Refund)</b>	Specific	A special VAT refund scheme for silk to be exported.	
71 <b>VAT and tariff exemption</b>	Applicable	VAT and tariff exemption available to foreign-invested companies that satisfy certain export performance requirements.	For foreign-invested companies engaged in industries allowed by the State that export all of their products, equipment purchased for self-use, shall be exempt from tariff and import VAT. --WTO consistency is questioned
72 <b>VAT expenses (exemption)</b>	Applicable	VAT expenses exemption and deduction.	Based on the EC's experience in anti-dumping cases, it seems that certain levels of production are exempt from paying VAT and that traders were able to deduct VAT expenses even though their suppliers did not charge and pay VAT. --- WTO consistency is questioned.
73 <b>Worker Benefit Contributions (Exemptions from mandatory worker benefit contributions)</b>	Applicable	Exemptions from mandatory worker benefit contributions available to foreign-invested companies that satisfy certain export performance requirements.	Foreign-invested "product-export enterprises" and technologically-advanced enterprises shall be exempt from payment to the State of all subsidies to staff and workers, except for the payment or allocation of funds for labor insurance, welfare expense, and housing subsidies.