C-570-953
Administrative Review
POR: 1/1/2015-12/31/2015
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DATE: August 30, 2017

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and the duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Senior Director
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of 2015
Countervailing Duty Administrative Review: Narrow Woven
Ribbons with Woven Selvedge from the People's Republic of
China

I. SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the countervailing duty (CVD) order on narrow woven ribbons with woven selvedge (ribbons) from the People's Republic of China (PRC). The period of review (POR) is January 1, 2015, through December 31, 2015. The respondent is Yama Ribbons and Bows Co., Ltd. (Yama). We preliminarily find that Yama received countervailable subsidies during the POR.

If these preliminary results are adopted in the final results of this review, we will instruct U.S. Customs and Border Protection (CBP) to assess countervailing duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. Unless the deadline is extended pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act), we will issue the final results no later than 120 days after the publication of these preliminary results.

II. BACKGROUND

On September 1, 2010, the Department published the CVD *Order* on ribbons from the PRC.[1] On September 8, 2016, we published a notice of "Opportunity to Request Administrative Review" of the CVD *Order* on ribbons from the PRC for the period January 1, 2015, through December 31, 2015.[2]

Pursuant to section 751(a)(1) of the Act and 19 CFR 351.213(b)(1), in September 2016, the Department received a timely request to conduct an administrative review of the CVD *Order* on ribbons from the PRC from the petitioner in this proceeding,[3] which requested a review of Yama. On November 9, 2016, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review for Yama.[4]

In December 2016, we issued the initial questionnaire to the Government of the PRC (GOC), instructing the GOC to forward the questionnaire to Yama.[5] In December 2016 and January 2017, respectively, we received Yama's affiliation response and its initial questionnaire response.[6] On January 25, 2017, after the deadline for the initial questionnaire response, the GOC contacted the Department requesting that it be permitted to file an untimely response to the initial questionnaire. On February 7, 2017, the Department notified the GOC that it would be unable to extend the deadline for a response which had already passed.[7]

In February 2017, the petitioner submitted new subsidy allegations.[8] In March 2017, the Department initiated an investigation of these new subsidy allegations[9] and issued questionnaires to the GOC and Yama related to them. In this same month, we timely received responses from Yama and the GOC to the new subsidy allegations questionnaires.[10]

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[1] *See Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Countervailing Duty Order*, 75 FR 53642 (September 1, 2010) (*Order*).
[2] *See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation: Opportunity to Request Administrative Review*, 81 FR 62096 (September 8, 2016).
[3] The petitioner is Berwick Offray LLC.
[4] *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 81 FR 78778 (November 9, 2016).
[5] *See* Letter from the Department, "2015 Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Countervailing Duty Questionnaire," dated December 5, 2016 (Initial Questionnaire).
[6] *See* Letter from Yama, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Antidumping Duty: Response to Affiliated Company Questions," dated December 20, 2016 (Affiliated Company QR); and letter from Yama, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Antidumping Duty: Response to Section III Questionnaire," dated January 18, 2017 (Yama's Questionnaire Response).
[7] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Telephone Conversation with a Representative of the Embassy of the People's Republic of China to the United States," dated February 7, 2017.
[8] *See* Letter from the petitioner, "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China/New Subsidy Allegations," dated February 7, 2017 (New Subsidy Allegations).
[9] *See* Memorandum, "Decision Memorandum on New Subsidy Allegations," dated March 2, 2017 (NSA Memorandum).
[10] *See* Letter from Yama, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Antidumping Duty: Response to NSA Questionnaire," dated March 17, 2017 (Yama's NSA Questionnaire

From April through July 2017, the Department issued supplemental questionnaires to the GOC and Yama, and received responses from the GOC and Yama from May through July 2017.[11]

In May 2017, the Department postponed the deadline for the preliminary results until August 1, 2017, in accordance with sections 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2).[12] In July 2017, we received timely benchmark information from the petitioner.[13] In July 2017, the Department further postponed the deadline for the preliminary results until August 31, 2017.[14] Finally, in August 2017, we received timely benchmark information from Yama.[15]

III. SCOPE OF THE ORDER

The merchandise subject to the *Order* is narrow woven ribbons with woven selvedge, in any length, but with a width (measured at the narrowest span of the ribbon) less than or equal to 12 centimeters, composed of, in whole or in part, man-made fibers (whether artificial or synthetic, including but not limited to nylon, polyester, rayon, polypropylene, and polyethylene teraphthalate), metal threads and/or metalized yarns, or any combination thereof. Narrow woven ribbons subject to the *Order* may:

- also include natural or other non-man-made fibers;

- be of any color, style, pattern, or weave construction, including but not limited to single-faced satin, double-faced satin, grosgrain, sheer, taffeta, twill, jacquard, or a combination of two or more colors, styles, patterns, and/or weave constructions;

- have been subjected to, or composed of materials that have been subjected to, various treatments, including but not limited to dyeing, printing, foil stamping, embossing, flocking, coating, and/or sizing;

Response). *See also* Letter from the GOC, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Countervailing Duty: GOC Response to New Subsidy Allegations Questionnaire," dated March 17, 2017 (GOC NSA Questionnaire Response).

[11] *See* Letters from Yama, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Countervailing Duty: Response to Supplemental Questionnaire," dated June 9, 2017 and July 11, 2017, respectively (Yama's Supplemental Response and Yama's Second Supplemental Response, respectively); and Letter from the GOC, "Narrow Woven Ribbons with Woven Selvedge from People's Republic of China, Countervailing Duty: GOC Response to New Subsidy Allegations Questionnaire," dated May 12, 2017 (GOC NSA Supplemental Response).

[12] *See* Memorandum, "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Extension of Deadline for Preliminary Results of the 2015 Countervailing Duty Administrative Review," dated May 1, 2017.

[13] *See* Letter from the petitioner, "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China/Benchmark Data," dated July 3, 2017 (the petitioner's Benchmark Submission).

[14] *See* Memorandum, "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Extension of Deadline for Preliminary Results of the 2015 Countervailing Duty Administrative Review," dated July 20, 2017.

[15] *See* Letters from Yama, "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Benchmark Submission," dated August 1, 2017 (Yama's Benchmark Submission) and "Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Ocean Freight Benchmarks in Excel Format," dated August 11, 2017 (Yama's Ocean Freight Data).

- have embellishments, including but not limited to appliqué, fringes, embroidery, buttons, glitter, sequins, laminates, and/or adhesive backing;

- have wire and/or monofilament in, on, or along the longitudinal edges of the ribbon;

- have ends of any shape or dimension, including but not limited to straight ends that are perpendicular to the longitudinal edges of the ribbon, tapered ends, flared ends or shaped ends, and the ends of such woven ribbons may or may not be hemmed;

- have longitudinal edges that are straight or of any shape, and the longitudinal edges of such woven ribbon may or may not be parallel to each other;

- consist of such ribbons affixed to like ribbon and/or cut-edge woven ribbon, a configuration also known as an "ornamental trimming;"

- be wound on spools; attached to a card; hanked (*i.e.*, coiled or bundled); packaged in boxes, trays or bags; or configured as skeins, balls, bateaus or folds; and/or

- be included within a kit or set such as when packaged with other products, including but not limited to gift bags, gift boxes and/or other types of ribbon.

Narrow woven ribbons subject to the *Order* include all narrow woven fabrics, tapes, and labels that fall within this written description of the scope of this *Order*.

Excluded from the scope of the *Order* are the following:

(1) formed bows composed of narrow woven ribbons with woven selvedge;

(2) "pull-bows" (*i.e.*, an assemblage of ribbons connected to one another, folded flat and equipped with a means to form such ribbons into the shape of a bow by pulling on a length of material affixed to such assemblage) composed of narrow woven ribbons;

(3) narrow woven ribbons comprised at least 20 percent by weight of elastomeric yarn (*i.e.*, filament yarn, including monofilament, of synthetic textile material, other than textured yarn, which does not break on being extended to three times its original length and which returns, after being extended to twice its original length, within a period of five minutes, to a length not greater than one and a half times its original length as defined in the Harmonized Tariff Schedule of the United States (HTSUS), Section XI, Note 13) or rubber thread;

(4) narrow woven ribbons of a kind used for the manufacture of typewriter or printer ribbons;

(5) narrow woven labels and apparel tapes, cut-to-length or cut-to-shape, having a length (when measured across the longest edge-to-edge span) not exceeding eight centimeters;

(6) narrow woven ribbons with woven selvedge attached to and forming the handle of a gift bag;

(7) cut-edge narrow woven ribbons formed by cutting broad woven fabric into strips of ribbon, with or without treatments to prevent the longitudinal edges of the ribbon from fraying (such as by merrowing, lamination, sono-bonding, fusing, gumming or waxing), and with or without wire running lengthwise along the longitudinal edges of the ribbon;

(8) narrow woven ribbons comprised at least 85 percent by weight of threads having a denier of 225 or higher;

(9) narrow woven ribbons constructed from pile fabrics (*i.e.*, fabrics with a surface effect formed by tufts or loops of yarn that stand up from the body of the fabric);

(10) narrow woven ribbon affixed (including by tying) as a decorative detail to non-subject merchandise, such as a gift bag, gift box, gift tin, greeting card or plush toy, or affixed (including by tying) as a decorative detail to packaging containing non-subject merchandise;

(11) narrow woven ribbon that is (a) affixed to non-subject merchandise as a working component of such non-subject merchandise, such as where narrow woven ribbon comprises an apparel trimming, book marker, bag cinch, or part of an identity card holder, or (b) affixed (including by tying) to non-subject merchandise as a working component that holds or packages such non-subject merchandise or attaches packaging or labeling to such non-subject merchandise, such as a "belly band" around a pair of pajamas, a pair of socks or a blanket;

(12) narrow woven ribbon(s) comprising a belt attached to and imported with an item of wearing apparel, whether or not such belt is removable from such item of wearing apparel; and

(13) narrow woven ribbon(s) included with non-subject merchandise in kits, such as a holiday ornament craft kit or a scrapbook kit, in which the individual lengths of narrow woven ribbon(s) included in the kit are each no greater than eight inches, the aggregate amount of narrow woven ribbon(s) included in the kit does not exceed 48 linear inches, none of the narrow woven ribbon(s) included in the kit is on a spool, and the narrow woven ribbon(s) is only one of multiple items included in the kit.

The merchandise subject to this *Order* is classifiable under the HTSUS statistical categories 5806.32.1020; 5806.32.1030; 5806.32.1050 and 5806.32.1060. Subject merchandise also may enter under subheadings 5806.31.00; 5806.32.20; 5806.39.20; 5806.39.30; 5808.90.00; 5810.91.00; 5810.99.90; 5903.90.10; 5903.90.25; 5907.00.60; and 5907.00.80 and under statistical categories 5806.32.1080; 5810.92.9080; 5903.90.3090; and 6307.90.9889. The HTSUS statistical categories and subheadings are provided for convenience and customs purposes; however, the written description of the merchandise under the *Order* is dispositive.

IV. APPLICATION OF THE COUNTERVAILING DUTY LAW TO IMPORTS FROM THE PRC

On October 25, 2007, the Department published its final determination on coated free sheet paper from the PRC, finding that:

> . . . given the substantial difference between the Soviet-style economies and China's economy in recent years, the Department's previous decision not to apply the CVD law to the Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China. [16]

The Department affirmed its decision to apply the CVD law to the PRC in numerous subsequent determinations.[17] Furthermore, on March 31, 2012, Public Law 112-99 was enacted, which confirms that the Department has the authority to apply the CVD law to countries designated as non-market economies under section 771(18) of the Act, such as the PRC.[18] The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.[19]

V. DIVERSIFICATION OF THE PRC'S ECONOMY

Concurrently with this decision memorandum, the Department is placing the following excerpts from the *China Statistical Yearbook* from the National Bureau of Statistics of China on the record of this review:[20] Index Page; Table 14-7: Main Indicators on Economic Benefit of State owned and State-holding Industrial Enterprise by Industrial Sector; Table 14-11: Main Indicators on Economic Benefit of Private Industrial Enterprise by Industrial Sector. This information reflects a wide diversification of economic activities in the PRC. The industrial sector in the PRC alone is comprised of 37 listed industries and economic activities, indicating the diversification of the economy.

VI. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

Sections 776(a)(1) and (2) of the Act provide that the Department, subject to section 782(d) of the Act, shall apply "facts otherwise available" if necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the antidumping (AD) and CVD law, including amendments to section 776(b) and 776(c) of the Act and the addition of

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[16] *See Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007), and accompanying Issues and Decision Memorandum (IDM) at Comment 6.

[17] *See, e.g., Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008), and accompanying IDM at Comment 1.

[18] Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

[19] *See* Public Law 112-99, 126 Stat. 265 §1(b).

[20] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: China Statistical Yearbook Information," dated August 31, 2017.

section 776(d) of the Act.[21] The amendments to the Act are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to this administrative review.[22]

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. The Department's practice when selecting an adverse rate from among the possible sources of information is to ensure that the result is sufficiently adverse "so as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide the Department with complete and accurate information in a timely manner."[23] The Department's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[24]

A. GOC – Market Distorted by Government Presence

In its New Subsidy Allegations, the petitioner alleges that the GOC provided synthetic yarn and caustic soda for less-than-adequate-remuneration (LTAR) to textile producers during the POR.[25] Based on the information provided by the petitioner to support its allegations, the Department initiated an investigation of these programs.[26] The Department requested that the GOC provide information concerning each of these industries in the PRC for the POR. Specifically, we requested that the GOC provide the following information for both inputs:[27]

a. The total number of producers.
b. The total volume and value of Chinese domestic consumption of {input} and the total volume and value of Chinese domestic production of {input}.
c. The percentage of domestic consumption accounted for by domestic production.
d. The total volume and value of imports of {input}.
e. The percentage of total volume and (separately) value of domestic production that is accounted for by companies in which the Government maintains an ownership or management interest, either directly or through other Government entities, including a list of the companies that meet these criteria.

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[21] *See* Pub. L. No. 114-27, 129 Stat. 362 (June 29, 2015). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments contained to section 771(7) of the Act, which relate to determinations of material injury by the ITC. *See* Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015, 80 FR 46793 (August 6, 2015).
[22] *Id*., 80 FR at 46794-95. The 2015 amendments are found at https://www.congress.gov/bill/114thcongress/housebill/1295/text/pl.
[23] *See Notice of Final Determination of Sales at Less than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8932 (February 23, 1998).
[24] *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-316, vol. 1 at 870 (1994).
[25] *See* New Subsidy Allegations at Exhibit III.
[26] *See* NSA Memorandum.
[27] *See* the Department's new subsidy allegations questionnaire issued to the GOC on March 3, 2017 (GOC NSA questionnaire); *see also* the Department's new subsidy allegations supplemental questionnaire issued to the GOC on April 28, 2017 (GOC NSA supplemental questionnaire).

f. A discussion of what laws, plans or policies address the pricing of the input, the levels of production of the input, the importation or exportation of the input, or the development of the input capacity. Please state which, if any, central and sub-central level industrial policies pertain to the input industry.

The Department requested such information to determine whether the GOC is the predominant provider of these inputs in the PRC and whether its significant presence in the market distorts all transaction prices. In its initial response to the new subsidy allegation questionnaire, the GOC did not provide any of this information for either input.[28] Therefore, the Department again requested that the GOC provide this information in a supplemental questionnaire.[29] In response, the GOC stated that it does not have the information available to it as there are no statutory requirements on collecting such information for either of the industries at issue.[30] Thus, the GOC claimed that it was impossible for it to identify producers in either industry in which the GOC maintains an ownership or management interest, either directly or through other government entities. Consequently, the GOC failed to identify, and provide GOC ownership information for, the companies comprising the synthetic yarn and caustic soda industries.

Information on the record indicates that in a prior CVD proceeding, the Department was able to confirm at verification that the GOC maintains two databases at the State Administration of Industry and Commerce: one is the business registration database, showing the most up-to-date company information; a second system, "ARCHIVE," houses electronic copies of documents such as business licenses, annual reports, capital verification reports, etc.[31] Therefore, we preliminarily find that the GOC has an electronic system available to it to gather industry-specific information the Department requested.

Further, we preliminarily determine that the GOC withheld necessary information that was requested of it and, thus, the Department must rely on facts available in these preliminary results.[32] Moreover, we preliminarily determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available.[33] In drawing an adverse inference, we preliminarily find that PRC prices from actual transactions involving Chinese buyers and sellers are significantly distorted by the involvement of the GOC.[34] Therefore we preliminarily find that the use of an external benchmark is warranted for calculating the benefit for the provision of synthetic yarn and caustic soda for LTAR.

For details regarding the remaining elements of our analysis, *see* the "Provision of Synthetic Yarn for LTAR," and "Provision of Caustic Soda for LTAR" sections, below.

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[28] *See* GOC's NSA Response.
[29] *See* GOC NSA supplemental questionnaire.
[30] *Id*.
[31] *See* Memorandum to the File, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Additional Documents for the Preliminary Results," dated August 31, 2017 (Additional Documents for the Preliminary Results), at Attachment II.
[32] *See* section 776(a)(2)(A) of the Act.
[33] *See* section 776(b) of the Act.
[34] *See Countervailing Duties; Final Rule*, 63 FR 65348, 65377 (November 25, 1998) (*Preamble*).

B. Certain Producers of Synthetic Yarn and Caustic Soda are "Authorities"

We requested information from the GOC regarding the six companies that produced the synthetic yarn and the two companies that produced the caustic soda purchased by Yama during the POR.[35] Specifically, we sought information from the GOC that would allow us to determine whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act. In its response, the GOC reported that all six of the synthetic yarn producers and one of the caustic soda producers were privately owned. The GOC identified the remaining caustic soda producer as being under the management or control of the GOC.[36]

Regarding the seven producers that the GOC identified as privately-owned companies, we asked the GOC to provide information about the involvement of the Chinese Communist Party (CCP) in each of these companies, including whether individuals in management positions are CCP members, in order to evaluate whether the privately-owned input suppliers are "authorities" within the meaning of section 771(5)(B) of the Act. While the GOC provided a long narrative explanation of the role of the CCP, when asked to identify any owners, members of the board of directors, or managers of the input suppliers who were government or CCP officials during the POR, the GOC explained that there is "no central informational database to search for the requested information."[37] Therefore, the GOC directed that we should obtain this information directly from Yama's privately-owned input suppliers.[38] In *Citric Acid 2012 AR*, we found that the GOC was able to obtain the information requested independently from the companies involved, and that statements from companies, rather than from the GOC or CCP themselves, were not sufficient.[39] The information we requested regarding the role of CCP officials in the management and operations of these producers is necessary to our determination of whether these producers are "authorities" within the meaning of section 771(5)(B) of the Act. The GOC did not indicate that it had attempted to contact the CCP, or that it consulted any other sources. Therefore, we find that the GOC withheld information requested regarding the CCP's role in the ownership and management of certain input producers.

As we explained in the Additional Documents for the Preliminary Results Memorandum,[40] we understand the CCP to exert significant control over economic activities in the PRC. Thus, the Department finds, as it has in prior CVD proceedings,[41] that the information requested regarding the role of CCP officials and CCP committees in the management and operations of Yama's privately-owned input suppliers is necessary to our determination of whether these producers are "authorities" within the meaning of section 771(5)(B) of the Act.

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[35] *See* GOC NSA Supplemental Questionnaire.
[36] *See* GOC's NSA Supplemental Response.
[37] *Id*.
[38] *Id*.
[39] *See Citric Acid and Certain Citrate Salts: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 78799 (December 31, 2014), and accompanying IDM at Comment 5 (*Citric Acid 2012 AR*).
[40] *See* Additional Documents for the Preliminary Results at Attachment III, which includes the Public Body Memorandum and its attachment, the CCP Memorandum.
[41] *See, e.g.*, *Citric Acid 2012 AR*.

Therefore, we find that the GOC withheld necessary information that was requested of it and that the Department must rely on facts available in conducting our analysis regarding the specific companies that produced these input products that Yama purchased during the POR.[42] As a result of incomplete responses to the Department's GOC NSA questionnaire and GOC NSA supplemental questionnaire, we find that the GOC failed to cooperate by not acting to the best of its ability to comply with our requests for information. Consequently, we determine that the GOC withheld information, and that an adverse inference is warranted in the application of facts available.[43] As adverse facts available (AFA), we are finding that certain producers of synthetic yarn and caustic soda, for which the GOC failed to identify whether the members of the board of directors, owners or senior managers were CCP officials, are "authorities" within the meaning of section 771(5)(B) of the Act. As explained in the Public Body Memorandum, an entity with significant CCP presence on its board or in management or in party committees may be controlled such that it possesses, exercises or is vested with governmental authority.[44] Thus, we preliminary find that Yama's privately-owned input suppliers of synthetic yarn and caustic soda are "authorities" within the meaning of section 771(5)(B) of the Act.

C. Application of AFA: Export Buyer's Credits

As discussed under "Programs Preliminarily Determined to be Countervailable," below, we are investigating export buyer's credits provided by the Export-Import Bank of the PRC (EXIM Bank). In the GOC NSA questionnaire and GOC NSA supplemental questionnaire, we requested that the GOC answer all the questions in the Standard Questions Appendix and other specific questions relating to the EXIM Bank's export buyer's credits program, which are necessary for the Department to analyze how the program is administered and how it functions.[45] In response, the GOC explained the EXIM Bank's criteria to obtain export buyer's credits and stated that "for a business contract to be supported by the export buyer's credit, the contract amount must be more than 2 million U.S. dollars."[46] However, the GOC confirmed with the EXIM Bank that none of Yama's U.S. customers used export buyer's credits during the POR, therefore, it did not respond to the standard questions in the Appendix. In addition, the GOC did not respond to our request for information pertaining to the 2013 revision to the EXIM Export Buyer's Credits program.

Information obtained in a prior CVD proceeding indicates that the GOC revised the export buyer's credits program in 2013 to eliminate the two million U.S. dollars requirement.[47] Moreover, information on the record also indicates that the EXIM Bank may disburse export buyer's credits either directly or through a third-party partner and/or correspondent banks.[48] We asked the GOC to provide a list of all third-party banks involved in the disbursement/settlement

[42] *See* section 776(a)(2)(A) of the Act.
[43] *See* section 776(b) of the Act.
[44] *See, e.g.*, Additional Documents for the Preliminary Results at Attachment III: Public Body Memorandum at 33-36, 38.
[45] *See* GOC NSA questionnaire and GOC NSA supplemental questionnaire.
[46] *Id*.
[47] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Placing Information on the Record," dated August 31, 2017.
[48] *Id*.

of export buyer's credits. However, instead of providing the requested information, the GOC stated that the EXIM Bank is the only bank which is involved in this program.[49] Therefore, we find that the GOC failed to provide the requested information, which is necessary to determine Yama's usage of the export buyer's credits program during the POR. As a result, we must rely on the facts otherwise available, pursuant to sections 776(a)(1) and 776(a)(2)(A) of the Act.

As noted above, the GOC did not provide the requested information needed to allow the Department to analyze this program fully. As a result, the GOC did not provide information that would permit us to make a determination as to whether this program constitutes a financial contribution and is specific. Accordingly, we find that the GOC has not cooperated to the best of its ability in response to the Department's specific information requests. As a result, we preliminarily determine, as AFA, that this program constitutes a financial contribution and meets the specificity requirements of the Act.[50]

Absent the requested information, we are unable to rely on the GOC's and Yama's claims of non-use of this program. Therefore, we preliminarily find that the GOC has not cooperated to the best of its ability and, as AFA, find that Yama used and benefited from this program, despite its claims that its U.S. customers had not obtained export buyer's credits from the EXIM Bank during the POR.[51]

Under the new section 776(d) of the Act, the Department may use as AFA a countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country, or, if there is no same or similar program, a CVD rate for a subsidy program from a proceeding that the administering authority considers reasonable to use, including the highest of such rates. Additionally, when selecting an AFA rate, the Department is not required for purposes of 776(c), or any other purpose, to estimate what the countervailable subsidy rate would have been if the non-cooperating interested party had cooperated or to demonstrate that the countervailable subsidy rate reflects an "alleged commercial reality" of the interested party.[52]

Consistent with section 776(d) of the Act and our established practice, we select the highest calculated rate for the same or similar program as AFA.[53] When selecting rates in an administrative review, we first determine if there is an identical program from any segment of the proceeding and use the highest calculated rate for the identical program (excluding *de minimis* rates). If no such identical program exists, we then determine if there is a similar/comparable program (based on the treatment of the benefit) within the same proceeding

[49] *See* GOC's NSA Supplemental Response.
[50] *See Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 81 FR 35308 (June 2, 2016), and accompanying IDM at "Use of Facts Otherwise Available and Adverse Inferences."
[51] *See* Yama's NSA Questionnaire Response at 1-2 and Exhibit 1.
[52] *See* section 776(d)(3) of the Act.
[53] *See*, *e.g.*, *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013) (*Shrimp from the PRC*), and accompanying IDM at 13; *see also Essar Steel Ltd. v. United States*, 753 F.3d 1368, 1373-1374 (Fed. Cir. 2014) (upholding "hierarchical methodology for selecting an AFA rate").

and apply the highest calculated rate for the similar/comparable program, excluding *de minimis* rates. If there is no non-*de minimis* rate calculated for a similar program within the same proceeding, under step three of the hierarchy, the Department applies the highest non-*de minimis* rate calculated for an identical or similar program in another CVD proceeding involving the same country. Finally, where there is no above *de minimis* rate for an identical or comparable program, we apply the highest calculated rate from any non-company specific program in any CVD case involving the same country, but we do not use a rate from a program if the industry in the proceeding cannot use that program.[54]

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as "information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise."[55] The SAA provides that to "corroborate" secondary information, the Department will satisfy itself that the secondary information to be used has probative value.[56]

The Department will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that the Department need not prove that the selected facts available are the best alternative information.[57] Furthermore, the Department is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an "alleged commercial reality" of the interested party.[58]

Therefore, because we have not previously calculated a rate for this program in this proceeding, nor have we calculated an above *de minimis* rate for a similar program in this proceeding, nor have we calculated an above *de minimis* rate for this program in another CV proceeding involving the PRC, we are relying on the rate determined for a similar program in another CVD proceeding involving the PRC.[59] On this basis, we are using an AFA rate of 10.54 percent *ad valorem*, the highest rate determined for a similar program in the *Coated Paper from the PRC* proceeding, as the rate for this program for Yama.[60]

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[54] *See Shrimp from the PRC*, and accompanying IDM at 13-14.
[55] *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, Vol. I at 870 (1994), reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (SAA) at 870.
[56] *Id.*
[57] *Id.*, at 869-870.
[58] *See* section 776(d) of the Act.
[59] *See Truck and Bus Tires from the People's Republic of China: Final Affirmative Determinations of Sales at Less Than Fair Value and Critical Circumstances*, 82 FR 8599 (January 27, 2017) (*Trucks and Bus Tires from the PRC*).
[60] *See Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201 (November 17, 2010) (*Coated Paper from China*) (revised rate for "Preferential Lending to the Coated Paper Industry" program).

D. Provision of Electricity for LTAR

As discussed under "Programs Preliminarily Determined to be Countervailable," below, we are investigating the provision of electricity for LTAR by the GOC. The GOC did not provide complete responses to the Department's questions regarding the alleged provision of electricity for LTAR. These questions requested information to determine whether the provision of electricity constituted a financial contribution within the meaning of section 771(5)(D) of the Act, whether such a provision provided a benefit within the meaning of section 771(5)(E) of the Act, and whether such a provision was specific within the meaning of section 771(5A) of the Act. In the GOC NSA questionnaire and GOC NSA supplemental questionnaire, for the province where Yama is located, the Department asked the GOC to provide a detailed explanation of: (1) how increases in the cost elements in the price proposals led to retail price increases for electricity; (2) how increases in labor costs, capital expenses and transmission, and distribution costs are factored into the price proposals for increases in electricity rates; and (3) how the cost element increases in the price proposals and the final price increases were allocated across the province and across tariff end-user categories. We asked the GOC to provide the original provincial price proposals for the applicable tariff schedule for Fujian Province, where Yama is located, and for all applicable tariff schedules that were in effect during the POR. In response, the GOC stated that "these proposals are drafted by the provincial governments and submitted to the National Development and Reform Commission (NDRC). They are working documents for the NDRC's review only. The GOC is therefore unable provide them with this response."[61] In response to our questions regarding how electricity cost increases are reflected in retail price increases, the GOC explained how price increases should theoretically be formulated but did not explain the actual process that led to the price increases.[62]

The requested price proposals are part of the GOC's electricity price adjustment process and thus, are crucial to the Department's analysis of how prices are set within the PRC.[63] Absent this information, we are unable to rely on the information supplied by the GOC. Thus, the GOC has not provided a complete response to our requests for information regarding this program. Accordingly, and consistent with prior cases in which the GOC provided a similar response,[64] we preliminarily find that the GOC's answers are inadequate and do not provide the necessary information required by the Department to analyze the provision of electricity in the PRC. The GOC did not provide the requested price proposal documents or explain how price increases were formulated. As a result, we must rely on the facts otherwise available, pursuant to sections 776(a)(1) and 776(a)(2)(A) of the Act.

We preliminarily find that the GOC failed to cooperate by not acting to the best of its ability to comply with the Department's requests for information. While the GOC acknowledged the existence of the provincial price proposals, the GOC withheld them without explaining why it

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[61] *See* GOC NSA supplemental response at Section II Electricity Appendix.

[62] *Id.*

[63] *See, e.g., Certain Magnesia Carbon Bricks from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 45472 (August 2, 2010), and accompanying IDM at Comment 8, where the Department quoted the GOC as reporting that these price proposals "are part of the price setting process within China for electricity."

[64] *Id*.

could not submit such documents on the record of this proceeding, particularly as the Department permits parties to submit information under administrative protective order for limited disclosure if it is business proprietary in nature.[65] Moreover, while the GOC provided electricity data for all provinces, municipalities and autonomous regions, this information is not germane to an analysis of how and why the prices of the tariff schedules in effect during the POR were drafted and implemented. The GOC also did not ask for additional time to gather and provide such information, nor did the GOC provide any other documents that would have answered the Department's questions. Therefore, because the GOC failed to cooperate by not acting to the best of its ability in responding to the Department's repeated requests for this information, an adverse inference under section 776(b) of the Act is warranted in the application of facts available. Without the requested information, we cannot make a preliminary finding with respect to financial contribution or specificity because the details required to analyze the GOC's electricity price adjustment process are contained in the missing price proposals. In drawing an adverse inference, we preliminarily find that the GOC's provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and is specific within the meaning of section 771(5A) of the Act. We are also relying on an adverse inference in selecting the benchmark for determining the existence and amount of the benefit. The benchmark rates we selected are derived from information from the record of this administrative review and are the highest electricity rates on this record for the applicable rate and user categories.[66]

E. Other Subsidy Programs

Yama reported receiving assistance from the GOC under various programs listed in the initial questionnaire. For three of these programs (*i.e.*, Policy Loans to Narrow Woven Ribbon Producers from State-owned Commercial Banks, Jimei District Tax Bonus Prize and Bonus for Fujian Province Famous Brands Program), we found during the *Ribbons Investigation* that Yama either had not used or did not receive a benefit from these programs.[67]

Moreover, Yama also self-reported the following other subsidy programs: Tax Program for High or New Technology Enterprise; Preferential Tax Policy for Wages of Disabled Employees; Xiamen Municipal Cleaner Production; Patent Application Supporting Program; Assistance for Recruiting Vocational Institutions and/or College Graduates; Assistance for Recruiting Rural Labor; Interest Assistance for Loans Obtained for Technology Projects; High and New Technology Enterprises Local Government Assistance; Xiamen City Small and Medium-sized Enterprises (SMEs) Development Support Fund; Insurance Expense Assistance; SMEs Assistance; Finance Bureau of Xiamen City; Tax Bureau of Jimei District; and unknown.[68]

Given the GOC's failure to respond to our initial questionnaire, we preliminarily determine that the use of facts available pursuant to sections 776(a)(2)(A) and 776(a)(2)(D) of the Act is

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[65] *See, e.g.,* 19 CFR 351.306.
[66] *See* Memorandum, "Preliminary Results Margin Calculation for Yama Ribbons and Bows Co., Ltd.," dated concurrently with this memorandum (Preliminary Calculation Memorandum).
[67] *See Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 41801 (July 19, 2010) (*Ribbons Investigation*), and accompanying IDM at 10 and 11.
[68] *See* Yama's Questionnaire Response at 14-15.

warranted in determining the countervailability of these apparent subsidies reported by Yama. First, necessary information regarding whether these programs provide a financial contribution within the meaning of section 771(5)(D) of the Act, and whether these programs are specific within the meaning of section 771(5A) of the Act, is not on the record of this review. Further, the GOC withheld information that was requested of it by not providing information regarding these subsidies in response to our questionnaire as noted above. Because the GOC failed to provide the requested information, we find that the GOC failed to cooperate to the best of its ability regarding our request for information on the assistance which the GOC provided. Therefore, we find that an adverse inference is warranted with respect to these subsidies pursuant to section 776(b) of the Act. As a result, we preliminary find that, as AFA, these subsidies reported by Yama provide a financial contribution and are specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively. To preliminarily determine whether benefits were provided as a result of these subsidies within the meaning of section 771(5)(E) of the Act, the Department relied on Yama's usage information.

VII. SUBIDIES VALUATION

A. Allocation Period

The average useful life (AUL) period in this proceeding, as described in 19 CFR 351.524(d)(2), is 10 years according to the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System for assets used to manufacture the subject merchandise.[69] The Department notified the respondent of the AUL in the Initial Questionnaire and requested data accordingly. No party in this proceeding disputed this allocation period.

Furthermore, for non-recurring subsidies, we applied the "0.5 percent test," as described in 19 CFR 351.524(b)(2). Under this test, we divide the amount of subsidies approved under a given program in a particular year by the relevant sales value (*e.g.*, total sales or export sales) for the year in which the assistance was approved. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than over the AUL.

B. Attribution of Subsidies

In accordance with 19 CFR 351.525(b)(6)(i), the Department normally attributes a subsidy to the products produced by the company that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provide additional rules for the attribution of subsidies received by respondents with cross-owned affiliates. Subsidies to the following types of cross-owned affiliates are covered in these additional attribution rules: (ii) producers of the subject merchandise; (iii) holding companies or parent companies; (iv) producers of an input that is primarily dedicated to the production of the downstream product; or (v) an affiliate producing non-subject merchandise that otherwise transfers a subsidy to a respondent.

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[69] *See* U.S. Internal Revenue Service Publication 946 (2015), "How to Depreciate Property" at Table B-2: Table of Class Lives and Recovery Periods.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This section of the Department's regulations states that this standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. The preamble to the Department's regulations further clarifies the Department's cross-ownership standard. According to the preamble, relationships captured by the cross-ownership definition include those where:

> {T}he interests of two corporations have merged to such a degree that one corporation can use or direct the individual assets (or subsidy benefits) of the other corporation in essentially the same way it can use its own assets (or subsidy benefits) . . . . Cross-ownership does not require one corporation to own 100 percent of the other corporation. Normally, cross-ownership will exist where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. In certain circumstances, a large minority voting interest (for example, 40 percent) or a "golden share" may also result in cross-ownership.[70]

Thus, the Department's regulations make clear that the agency must look at the facts presented in each case in determining whether cross-ownership exists. The U.S. Court of International Trade upheld the Department's authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.[71]

Yama reported that it had several cross-owned companies during the POR.[72] However, Yama also reported that none of its cross-owned companies: 1) produced the subject merchandise; 2) provided primarily dedicated inputs for the production of downstream products; or 3) received or transferred any subsidy to Yama.[73] Additionally, Yama reported that its owner, a Hong Kong company, was not involved in the supply or production of the subject merchandise, and that it did not receive any subsidies from the GOC during the POR.[74] Therefore, we preliminarily determine that Yama's cross-owned companies do not meet any of the attribution conditions set forth in 19 CFR 351.525(b)(6)(ii)-(v); as a result, we have not included these cross-owned companies in our subsidy analysis.

C. Denominators

In accordance with 19 CFR 351.525(b), when selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, the Department considers the basis for the respondent's receipt of benefits under each program. As discussed in further detail below in the "Programs Preliminarily Determined to be Countervailable" section, for the programs we found to be

[70] *See Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998).
[71] *See Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).
[72] *See* Affiliated Company QR at 3-5.
[73] *Id.*, at 6.
[74] *Id.*, at 7.

countervailable as domestic subsidies, we used Yama's total sales as the denominator. For the programs we found to be countervailable as an export subsidy, we used Yama's total export sales as the denominator. In the sections below, we describe the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.[75]

VIII. INTEREST RATE BENCHMARKS, DISCOUNT RATES, INPUTS AND ELECTRICITY

The Department is examining loans received by Yama from PRC policy banks and state-owned commercial banks, as well as non-recurring, allocable subsidies (*see* 19 CFR 351.524(b)(1)). The derivation of the benchmark interest and discount rates used to value these subsidies is discussed below.

Short-Term Loans Denominated in Renminbi (RMB)

Section 771(5)(E)(ii) of the Act explains that the benefit for loans is the "difference between the amount the recipient of the loan pays on the loan and the amount the recipient would pay on a comparable commercial loan that the recipient could actually obtain on the market." Normally, the Department uses comparable commercial loans reported by the company as a benchmark.[76] If the firm did not have any comparable commercial loans during the period, the Department's regulations provide that it "may use a national average interest rate for comparable commercial loans."[77] Section 771(5)(E)(ii) of the Act also indicates that the benchmark should be a market-based rate.

For the reasons first explained in *CFS from the PRC*,[78] loans provided by PRC banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market. In an analysis memorandum dated July 21, 2017, the Department has conducted a reassessment of the lending system in China.[79] Based on this reassessment, the Department has concluded that despite reforms to date, the GOC's role in the system continues to fundamentally distort lending practices in the PRC in terms of risk pricing and resource allocation, precluding the use of interest rates in the PRC for CVD benchmarking or discount rate purposes. Because of this, any loans received by Yama from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). Similarly, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). Therefore, because of the special difficulties inherent in using a Chinese

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[75] *See* Preliminary Calculation Memorandum.
[76] *See* 19 CFR 351.505(a)(3)(i).
[77] *See* 19 CFR 351.505(a)(3)(ii).
[78] *See Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS from the PRC*), and accompanying IDM at Comment 10; *see also* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Placement of Banking Memoranda on Record of the Instant Review," dated August 31, 2017.
[79] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Review of China's Financial System Memorandum," dated August 31, 2017.

benchmark for loans, the Department is selecting an external market-based benchmark interest rate.[80] The use of an external benchmark is consistent with the Department's practice.[81] For example, in *Lumber from Canada,* the Department used U.S. timber prices to measure the benefit for government-provided timber in Canada.[82]

We first developed in *CFS from the PRC*,[83] and more recently updated in *Thermal Paper from the PRC*,[84] the methodology used to calculate the external benchmark. Under that methodology, we first determine which countries are similar to the PRC in terms of gross national income, based on the World Bank's classification of countries as low income, lower-middle income, upper-middle income, and high income. As explained in *CFS from the PRC*, the pool of countries captures the broad inverse relationship between income and interest rates. For 2001 through 2009, the PRC fell in the lower-middle income category.[85] Beginning in 2010, however, the PRC is listed in the upper-middle income category.[86] Accordingly, as explained below, we are using the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2011 through 2014. As explained in *CFS from the PRC*, by pooling countries in this manner, we capture the broad inverse relationship between income and interest rates.

After identifying the appropriate interest rates, the next step in constructing the benchmark is to incorporate an important factor in interest rate formation – the strength of governance as reflected in the quality of the countries' institutions. The strength of governance has been built into the analysis by using a regression analysis that relates the interest rates to governance indicators.

In each year from 2011 through 2014, the results of the regression-based analysis reflected the intended, common sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates. Therefore, we continue to rely on the regression-based analysis used since *CFS from the PRC* to compute the benchmarks for the years 2011 through 2014.

Many of the countries in the World Bank's upper-middle and lower-middle income categories reported lending and inflation rates to the International Monetary Fund, and they are included in that agency's international financial statistics (IFS). With the exceptions noted below, we used

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[80] *See* World Bank Country Classification http://econ.worldbank.org/.

[81] *See Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products from Canada*, 67 FR 15545 (April 2, 2002), and accompanying IDM at "Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit."

[82] *See Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products from Canada*, 67 FR 15545 (April 2, 2002) (*Lumber Canada Final*), and accompanying IDM at "Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit."

[83] *See CFS from the PRC* at Comment 10.

[84] *See Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from the PRC)*, and accompanying IDM at 8-10.

[85] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Interest Rate Benchmark Memorandum," dated August 31, 2017 (Interest Rate Benchmark Memorandum).

[86] *Id.*

the interest and inflation rates reported in the IFS for the countries identified as "upper middle income" by the World Bank for 2011 through 2014. First, we did not include those economies that the Department considered to be non-market economies for AD purposes for any part of the years in question (*e.g.*, Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Turkmenistan). Second, the pool necessarily excludes any country that did not report both lending and inflation rates to IFS for those years. Third, we removed any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments.[87] Finally, for each year the Department calculated an inflation-adjusted short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question.[88] Because the resulting rates are net of inflation, we adjusted the benchmark rates to include an inflation component before comparing them to the interest rates on loans issued to Yama by state-owned commercial banks.[89]

Long-Term RMB-Denominated Loans

The lending rates reported in the IFS represent short- and medium-term lending, and there are not sufficient publicly-available long-term interest rate data upon which to base a robust benchmark for long-term loans. To address this problem, the Department developed an adjustment to the short- and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates.[90]

In the *Citric Acid Investigation*, this methodology was revised by switching from a long-term mark-up based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where n equals or approximates the number of years of the term of the loan in question.[91] Because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.

Discount Rate Benchmarks

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided non-recurring subsidies.
The resulting interest rate benchmarks that we used in the preliminary calculations are provided in the Interest Rate Benchmark Memorandum.

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[87] *Id.* For example, in certain years Jordan reported a deposit rate, not a lending rate, and Ecuador and Timor L'Este reported dollar-denominated rates; therefore, such rates have been excluded.
[88] *Id.* For example, we excluded Brazil from the 2010 and 2011 benchmarks because the country's real interest rate was 34.95 percent and 37.25 percent, respectively.
[89] *Id.*, for the adjusted benchmark rates including an inflation component.
[90] *See, e.g., Light-Walled Rectangular Pipe and Tube from People's Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 FR 35642 (June 24, 2008), and accompanying IDM at 8.
[91] *See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009) (*Citric Acid Investigation*), and accompanying IDM at Comment 14.

Benchmarks to Determine Adequacy of Remuneration

The adequacy of remuneration for government-provided goods or services is determined pursuant to 19 CFR 351.511(a)(2). Under 19 CFR 351.511(a)(2), the Department measures the remuneration received by a government for goods or services against comparable benchmark prices to determine whether the government provided goods or services for LTAR. These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation (*e.g.*, actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation (*i.e.*, tier one). This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

Synthetic Yarn and Caustic Soda Input Benchmarks

For both of the inputs, as discussed above in the section, "Use of Facts Otherwise Available and Adverse Inferences," we preliminarily determine that all of Yama's purchases of synthetic yarn and caustic soda suppliers are from "authorities." Therefore, those purchase prices from its suppliers are not useable as benchmarks, as they are prices charged by the very providers of the good at issue. We selected the benchmarks for measuring the adequacy of the remuneration for synthetic yarn and caustic soda in accordance with 19 CFR 351.511(a). Below, we analyze the information provided and the selection of a benchmark for both inputs.

Provision of Electricity for LTAR

As discussed above in the section, "Use of Facts Otherwise Available and Adverse Inferences," we are relying on AFA to select the highest electricity rates that are on the record of this administrative review as our benchmark for measuring the adequacy of remuneration.

IX. ANALYSIS OF PROGRAMS

Based upon our analysis of the record and the responses to our questionnaire, we preliminarily determine the following:

I. Programs Preliminarily Determined to be Countervailable

A. Policy Loans to Narrow Woven Ribbon Producers from State-owned Commercial Banks

Yama reported that it received loans under this program during the POR.[92] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we preliminarily determined

[92] *See* Yama Questionnaire Response at 16-19 and Exhibit 9.1.

that the assistance received by Yama provides a financial contribution and is specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively.

Pursuant to section 771(5)(E)(ii) of the Act, such financing provides a benefit equal to the difference between the interest Yama paid on the loans and the amount of interest it would have paid on comparable commercial loans. Yama reported that it had loans provided by state-owned commercial banks which were outstanding during the POR.[93] To calculate the benefit under this program, we compared the amount of interest Yama paid on its outstanding loans to the amount of interest it would have paid on comparable commercial loans.[94] In conducting this comparison, we used the interest rates described in the "Benchmark Interest Rates" section, above. We attributed benefits under this program to Yama's total POR sales, as discussed in the "Attribution of Subsidies" section, above. On this basis, we preliminarily find that Yama received a countervailable subsidy of 0.18 percent *ad valorem*.[95]

B. *Provision of Synthetic Yarn for LTAR*

The Department is examining whether Yama was provided with synthetic yarn for LTAR during the POR. We preliminarily determine that this program confers a countervailable subsidy. As discussed in "Use of Facts Otherwise Available and Adverse Inferences," we are basing our preliminary finding on the government's provision of synthetic yarn on AFA. We preliminarily determine that the GOC's provision of synthetic yarn is a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act, and that it is specific within the meaning of section 771(5A)(D) of the Act.

In a CVD proceeding, the Department requires information from both the government of the country whose merchandise is under investigation and from the foreign producers and exporters. When the government fails to provide requested information concerning alleged subsidy programs, the Department, as AFA, typically finds that a financial contribution exists under the alleged program and that the program is specific.[96] However, where possible, the Department will rely on a respondent's reported information to determine the existence and the amount of the benefit to the extent that such information is useable and verifiable.

Yama reported that it purchased synthetic yarn from six privately-owned producers of synthetic yarn during the POR.[97] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we are relying on AFA to determine that these companies are "authorities" within the meaning of section 771(5)(B) of the Act and that Yama received financial contributions from them in the form of the provision of a good, pursuant to section 771(5)(D)(iii)

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[93] *See* Yama Questionnaire Response at 11-12 and Exhibits 8.1-8.6; and Yama Supplemental Questionnaire Response at Exhibit S-4.
[94] *See* 19 CFR 351.505(a).
[95] *See* Preliminary Calculation Memorandum.
[96] *See, e.g., Hardwood and Decorative Plywood from the People's Republic of China: Final Affirmative Countervailing Duty Determination*; 2011 78 FR 58283 (September 23, 2013), and accompanying IDM at Comment 3.
[97] *See* Yama's NSA Questionnaire Response at Exhibit NSA-2; *see also*, Yama's Supplemental Response at Exhibit S-6.

of the Act. Furthermore, as discussed under "Use of Facts Otherwise Available and Adverse Inferences" above, we are preliminarily relying on AFA to determine that actual transaction prices for synthetic yarn in the PRC are significantly distorted by the government's involvement in the market. As such, we preliminarily determine that domestic prices in the PRC cannot serve as viable, tier one benchmark prices. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark.[98] Accordingly, to determine whether the provision of synthetic yarn conferred a benefit within the meaning of section 771(5)(E)(iv) of the Act, we applied a tier two benchmark (*i.e.*, world market prices available to purchasers in the PRC).[99]

The petitioner and Yama submitted prices that they suggested are appropriate for use as a tier two benchmarks. The petitioner submitted POR monthly export prices from United Nations International Trade Statistics Database (Comtrade) for HTSUS numbers 5402.31, 5402.33 and 5402.52 (*i.e.*, textured yarn, textured yarn of polyesters) for various countries excluding exports from China. The petitioner also excluded exports from Croatia because the petitioner stated that the data appears to be inaccurate.[100] Yama submitted POR monthly export prices from Global Trade Atlas (GTA) for HTSUS numbers 5402.33 and 5402.47 (*i.e.,* textured yarn of polyesters) for various countries.[101] For these preliminary results, we are relying on the POR monthly export prices for HTSUS numbers 5402.31, 5402.33, 5402.52 and 5402.47 from both sources.[102]

Section 351.511(a)(2)(ii) of the Department's regulations states that where there is more than one commercially-available world market price, the Department will average the prices to the extent practicable. Therefore, we averaged the monthly data from each source. We then averaged the monthly averages and calculated monthly benchmark prices for synthetic yarn.[103] By averaging the Comtrade and GTA unit prices in this instance, we maintain the most robust world market price possible that reflects the spectrum of conceivable prices available under market principles.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Accordingly, in deriving the benchmark prices, we included international freight. The petitioner placed on the record POR-contemporaneous ocean freight pricing data from Maersk for shipments of synthetic yarn from various ports to Shanghai, China.[104] Where information from Maersk was not available, the petitioner provided the deep sea freight transport producer price index from the Federal Reserve to calculate a freight rate.[105] For purposes of these preliminary results, we relied on the information provided by the petitioner to construct the benchmark price for synthetic yarn.

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[98] *See* "Synthetic Yarn and Caustic Soda Input Benchmark" section above.
[99] *See* 19 CFR 351.511(a)(2)(ii).
[100] *See* the petitioner's Benchmark Submission at Exhibit 1.
[101] *See* Yama's Benchmark Submission at Exhibits 2-4.
[102] *See* Preliminary Calculation Memorandum.
[103] *Id.*
[104] *See* the petitioner's Benchmark Submission at Exhibits 2, 3 and 8.
[105] *Id.*

We also added to the benchmark prices: 1) inland freight from the factory to the port based on Yama's per-kilogram freight expenses for transporting the finished product;[106] 2) import duties reported by the GOC; and 3) the value-added tax (VAT) applicable to imports of synthetic yarn into the PRC.[107]

Finally, to derive the benchmark, we did not include marine insurance. In prior CVD proceedings involving the PRC, the Department found that, while the PRC customs authorities impute an insurance cost on certain imports for purposes of levying duties and compiling statistical data, there is no evidence to suggest that PRC customs authorities actually require importers to pay insurance charges.[108]

Comparing the adjusted benchmark prices to the prices paid by Yama for synthetic yarn during the POR, we preliminarily find that the GOC provided synthetic yarn for LTAR, and that a benefit exists in the amount of the difference between the benchmark price and the price that Yama paid for this input.[109] To calculate the benefit, we calculated the difference between the delivered world market prices and the prices that Yama paid for synthetic yarn, including any taxes or delivery charges incurred to deliver the products to Yama. We divided the total benefits by Yama's total POR sales. On this basis, we preliminarily determine that Yama received a countervailable subsidy of 9.52 percent *ad valorem* for synthetic yarn.[110]

C. Provision of Caustic Soda for LTAR

The Department is examining whether Yama was provided with caustic soda for LTAR during the POR. We preliminarily determine that this program confers a countervailable subsidy. As discussed in "Use of Fact Otherwise Available and Adverse Inferences," we are basing our preliminary finding on the government's provision of caustic soda on AFA. We preliminarily determine that the GOC's provision of caustic soda is a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act, and that it is specific within the meaning of section 771(5A)(D) of the Act.

In a CVD proceeding, the Department requires information from both the government of the country whose merchandise is under investigation and from the foreign producers and exporters. When the government fails to provide requested information concerning alleged subsidy programs, the Department, as AFA, typically finds that a financial contribution exists under the alleged program and that the program is specific.[111] However, where possible, the Department

[106] *See* Yama's Supplemental Response at Exhibit S-8.
[107] *See* GOC NSA Supplemental Response.
[108] *See, e.g., Pre-Stressed Concrete Steel Wire Strand from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010) (*Steel Wire Strand from the PRC)*, and accompanying IDM at Comment 13.
[109] *See* 19 CFR 351.511(a).
[110] *See* Preliminary Calculation Memorandum for our calculation.
[111] *See, e.g., Hardwood and Decorative Plywood from the People's Republic of China: Final Affirmative Countervailing Duty Determination*; 2011 78 FR 58283 (September 23, 2013), and accompanying IDM at Comment 3.

will rely on a respondent's reported information to determine the existence and the amount of the benefit to the extent that such information is useable and verifiable.

Yama reported that it purchased caustic soda from two producers during the POR.[112] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, the GOC reported that one of these producers was state-owned. As explained in the Public Body Memorandum, producers in the PRC that are majority-owned by the government possess, exercise, or are vested with governmental authority.[113] The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we determine that this producer is an "authority" within the meaning of section 771(5)(B) of the Act.

With regard to the other producer from which Yama purchased caustic soda during the POR, which the GOC stated was privately owned, as discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we are relying on AFA to determine that this company is an "authority" within the meaning of section 771(5)(B) of the Act and that Yama received financial contributions from it in the form of the provision of a good, pursuant to section 771(5)(D)(iii) of the Act. Furthermore, as discussed under "Use of Facts Otherwise Available and Adverse Inferences" above, we are preliminarily relying on AFA to determine that actual transaction prices for caustic soda in the PRC are significantly distorted by the government's involvement in the market. As such, we preliminarily determine that domestic prices in the PRC cannot serve as viable, tier one benchmark prices. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark.[114] Accordingly, to determine whether the provision of caustic soda conferred a benefit within the meaning of section 771(5)(E)(iv) of the Act, we applied a tier two benchmark (*i.e.*, world market prices available to purchasers in the PRC).[115]

The petitioner and Yama submitted prices that they suggested are appropriate for use as a tier two benchmark. They submitted POR monthly export prices of caustic soda (HTSUS number 2815.11) for various countries. The petitioner relied on data from Comtrade[116] and Yama relied on data from the GTA.[117] For these preliminary results, we are relying on the POR monthly export prices of caustic soda from both sources.[118]

Section 351.511(a)(2)(ii) of the Department's regulations states that where there is more than one commercially-available world market price, the Department will average the prices to the extent practicable. Therefore, we averaged the monthly data from each source. We then averaged the monthly averages and calculated monthly benchmark prices for caustic soda. By averaging the

[112] *See* Yama's NSA Questionnaire Response at Exhibit NSA-3.
[113] *See* Additional Documents for the Preliminary Results at Attachment III: Public Body Memorandum at 33-36, 38.
[114] *See* "Synthetic Yarn and Caustic Soda Input Benchmark" section above.
[115] *See* 19 CFR 351.511(a)(2)(ii).
[116] *See* the petitioner's Benchmark Submission at Exhibit 4.
[117] *See* Yama's Benchmark Submission at Exhibit 1.
[118] *See* Preliminary Calculation Memorandum.

Comtrade and GTA unit prices in this instance, we maintain the most robust world market price possible that reflects the spectrum of conceivable prices available under market principles.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Accordingly, in deriving the benchmark prices, we included international freight. The petitioner placed on the record POR ocean freight pricing data from Maersk for shipments of caustic soda from various countries to Shanghai, China.[119] In addition, where information from Maersk was not available, the petitioner provided the deep sea freight transport producer price index from the Federal Reserve to calculate a freight rate.[120] Yama placed on the record ocean freight pricing data from Maersk for shipments of chemical products for the months of April, July, and September 2015 from various countries to Qingdao, China.[121] For purposes of these preliminary results, we relied on the ocean freight information provided by the petitioner to construct the benchmark price for caustic soda because information on the record shows that the Shanghai port is considerably closer to Xiamen (*i.e.,* where Yama is located) compared to the Qingdao port.[122]

We also added to the benchmark prices: 1) inland freight from the factory to the port based on Yama's per-kilogram freight expenses for transporting the finished product;[123] 2) import duties reported by the GOC; and 3) the VAT applicable to imports of caustic soda into the PRC.[124]

Finally, to derive the benchmark, we did not include marine insurance. As discussed above, in prior CVD proceedings involving the PRC, the Department found that, while the PRC customs authorities impute an insurance cost on certain imports for purposes of levying duties and compiling statistical data, there is no evidence to suggest that PRC customs authorities actually require importers to pay insurance charges.[125]

Comparing the adjusted benchmark prices to the prices paid by Yama for caustic soda during the POR, we preliminarily find that the GOC provided caustic soda for LTAR, and that a benefit exists in the amount of the difference between the benchmark price and the price that Yama paid for this input.[126] To calculate the benefit, we calculated the difference between the delivered world market prices and the prices that Yama paid for caustic soda, including any taxes or delivery charges incurred to deliver the products to Yama. We divided the total benefits by Yama's total POR sales. On this basis, we preliminarily determine that Yama received a countervailable subsidy of 0.09 percent *ad valorem* for caustic soda.[127]

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[119] *See* the petitioner's Benchmark Submission at Exhibits 5-8.
[120] *Id*.
[121] *See* Yama's Benchmark Submission at Exhibit 5.
[122] *See* Memorandum, "2015 Countervailing Duty Administrative Review of Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Caustic Soda Ocean Freight Information," dated August 31, 2017, and Yama's Questionnaire Response at 5.
[123] *See* Yama's Supplemental Response at Exhibit S-8.
[124] *See* GOC NSA Supplemental Response.
[125] *See, e.g., Steel Wire Strand from the PRC* at Comment 13.
[126] *See* 19 CFR 351.511(a).
[127] *See* Preliminary Calculation Memorandum.

D. Provision of Electricity for LTAR

The Department is examining whether the GOC provided Yama with electricity for LTAR during the POR. We determine that this program confers a countervailable subsidy. As discussed in "Use of Facts Otherwise Available and Adverse Inferences," we are basing our finding on the government's provision of electricity, in part, on AFA. Accordingly, we determine that the GOC's provision of electricity is a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act, and that it is specific within the meaning of section 771(5A)(D) of the Act.

In a CVD proceeding, the Department requires information from both the government of the country whose merchandise is under investigation and the foreign producers and exporters. When the government fails to provide requested information concerning alleged subsidy programs, the Department, as AFA, may find that a financial contribution exists under the alleged program and that the program is specific.[128] However, where possible, the Department will rely on the responsive producer's or exporter's records to determine the existence and amount of the benefit, to the extent that those records are useable and verifiable. Yama provided data on the electricity it consumed and the electricity rates it paid during the POR.[129] To determine the existence and the amount of any benefit from this program, we relied on Yama's reported electricity consumption volumes and electricity rates.[130] We compared the rates paid by Yama for electricity to the highest rates that it could have paid in the PRC during the POR. To calculate the benchmark, we selected the highest non-seasonal provincial rates in the PRC during the POR for the user category (*i.e.*, "large industrial user,"), voltage class (*i.e.*, 1-10kv), time period (*i.e.*, high peak, peak, normal, and valley), and basic fee (*e.g.*, "base charge/maximum demand") as provided by the GOC.[131] This benchmark reflects an adverse inference, which we drew as a result of the GOC's failure to act to the best of its ability in providing requested information about its provision of electricity in this review. We calculated benchmark electricity payments by multiplying consumption volumes by the benchmark electricity rate corresponding to the user category, voltage class, and time period, where applicable. We then compared the calculated benchmark payments to the actual electricity payments made by Yama during the POR. Where the benchmark payments exceeded the payments made, a benefit was conferred. Based on this comparison, we find that electricity was provided for LTAR to Yama. We then divided the total benefit Yama received by its total POR sales. On this basis, we preliminarily determine that Yama received a countervailable subsidy of 1.47 percent *ad valorem*.[132]

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[128] *See, e.g., Hardwood and Decorative Plywood from the People' Republic of China: Final Affirmative Countervailing Duty Determination; 2011*, 78 FR 58283 (September 23, 2013), and accompanying IDM at Comment 3.
[129] *See* Yama's Supplemental Response at 7-8 and Exhibit S-10.
[130] *See* Preliminary Calculation Memorandum.
[131] *Id.*
[132] *See* Preliminary Calculation Memorandum.

E. Export Buyer's Credits

As discussed above in the section "Use of Facts Otherwise Available and Adverse Inferences," we found this program to be countervailable and selected a subsidy rate of 10.54 percent *ad valorem* for it on the basis of AFA.

F. Xiamen Municipal Science and Technology Grant Program

In *Ribbons Investigation*, the Department found this program to be countervailable.[133] Yama reported that it received a grant under this program from the Xiamen Municipal Science & Technology Bureau during the POR.[134]

Consistent with *Ribbons Investigation*, we preliminarily determine that the grant received by Yama constitutes a financial contribution and a benefit under sections 771(5)(D) and 771(5)(E) of the Act, respectively. Further, regarding specificity, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii) of the Act.[135]

Consistent with 19 CFR 351.524(b)(2), we determined that this non-recurring benefit was less than 0.5 percent of Yama's total sales in 2015. Therefore, we expensed the total amount of the grant to the year of receipt (*i.e.*, the POR), dividing it by Yama's total POR sales.[136] On this basis, we preliminarily determine that Yama received a countervailable subsidy of 0.09 percent *ad valorem*.[137]

G. International Market Development Fund Grants for SMEs

In *Ribbons Investigation*, the Department found this program to be countervailable.[138] Yama reported that it received grants under this program from the Finance Bureau of Xiamen City and from the Economic and Information Bureau of Jimei District during the POR.[139]

Consistent with *Ribbons Investigation*, we preliminarily determine that the grant received by Yama constitutes a financial contribution and a benefit under sections 771(5)(D) and 771(5)(E) of the Act, respectively. Further, regarding specificity, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii) of the Act.[140]

Consistent with 19 CFR 351.524(b)(2), we determined that this non-recurring benefit was less than 0.5 percent of Yama's total sales in 2015. Therefore, we expensed the total amount of the grant to the year of receipt (*i.e.*, the POR), dividing it by Yama's total POR sales.[141] On this

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[133] *See Ribbons Investigation* and accompanying IDM at 8 and 9.
[134] *See* Yama Questionnaire Response at 16-19 and Exhibit 9.1.
[135] *See Ribbons Investigation* and accompanying IDM at 8 and 9.
[136] *See* 19 CFR 351.524(b)(2).
[137] *See* Preliminary Calculation Memorandum.
[138] *See Ribbons Investigation* and accompanying IDM at 9 and 10.
[139] *See* Yama Questionnaire Response at 19.
[140] *See Ribbons Investigation* and accompanying IDM at 9 and 10.
[141] *See* 19 CFR 351.524(b)(2).

basis, we preliminarily determine that Yama received a countervailable subsidy of 0.20 percent *ad valorem*.[142]

H. Jimei District Tax Bonus Prize

Yama reported that it received a grant under this program from the Government of Jimei District during the POR.[143] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we preliminarily determined that the assistance received by Yama provides a financial contribution and is specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively.

Consistent with 19 CFR 351.524(b)(2), we determine that this non-recurring benefit was less than 0.5 percent of Yama's total sales in 2015. Therefore, we expensed the total amount of the grant to the year of receipt (*i.e.*, the POR), dividing it by Yama's total POR sales.[144] On this basis, we preliminarily determine that Yama received a countervailable subsidy of 0.01 percent *ad valorem*.[145]

I. Bonus for Fujian Province Famous Brands Program

Yama reported that it received a grant under this program from the Economic and Information Bureau of Jimei District during the POR.[146] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we preliminarily determined that the assistance received by Yama provides a financial contribution and is specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively.

Consistent with 19 CFR 351.524(b)(2), we determine that this non-recurring benefit was less than 0.5 percent of Yama's total sales in 2015. Therefore, we expensed the total amount of the grant to the year of receipt (*i.e.*, the POR), dividing it by Yama's total POR sales.[147] On this basis, we determine the countervailable subsidy to be 0.08 percent *ad valorem* for Yama.[148]

J. Other Subsidy Programs

Yama reported that it received various other subsidies during the POR.[149] As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, we preliminarily determine that the additional subsidies provided to Yama are countervailable based on AFA. The majority of the grants received by Yama do not pass the "0.5 percent test" described in 19 CFR 351.524(b)(2), and thus are allocated to the year of receipt (*i.e.*, the POR).[150] We calculated a

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[142] *See* Preliminary Calculation Memorandum.
[143] *See* Yama Questionnaire Response at 21-25 and Exhibit 9.3.
[144] *See* 19 CFR 351.524(b)(2).
[145] *See* Preliminary Calculation Memorandum.
[146] *See* Yama's Questionnaire Response at 25-29 and Exhibit 9.4.
[147] *See* 19 CFR 351.524(b)(2).
[148] *See* Preliminary Calculation Memorandum.
[149] *See* Yama's Questionnaire Response at 15-16.
[150] *See* Preliminary Calculation Memorandum.

countervailable subsidy rate for these grants of 0.81 percent *ad valorem*.[151, 152] Finally, Yama reported receiving additional tax benefits during the POR and we calculated a countervailable subsidy rate of 0.38 percent *ad valorem* for these tax programs.[153]

II. Programs Preliminarily Determined Not to Provide Measurable Benefits During the POR

We preliminary determine that the benefit from the program listed below resulted in a net subsidy rate that is less than 0.005 percent *ad valorem*.[154] Consistent with the Department's practice, we have not included this program in our net countervailing duty rate calculations for the preliminary results.[155]

A. *Patent Application Supporting Program*

III. Programs Preliminarily Determined Not to be Used During the POR

We preliminarily find that Yama did not use the following programs during the POR:

1. *Preferential Tax Policies for Enterprises with Foreign Investment (Two Free, Three Half) Program*

2. *Local Income Tax Exemption and Reduction Programs for "Productive" Foreign-Invested Enterprises*

3. *Xiamen Promotion of Domestic Market Grants*

4. *The State Key Technology Renovation Project Fund*

5. *Export Assistance Grants*

6. *Export Interest Subsidy Funds for Enterprises Located in Zhejiang Province*

7. *Technology Grants for Enterprises Located in Zhejiang Province*

8. *Import Tariff and VAT Exemptions for Foreign-Invested Enterprises (FIEs) Using Imported Technology and Equipment*

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[151] *Id.*
[152] Further, we fully expensed a grant which Yama received during the AUL period because it: 1) passed the "0.5 percent test;" and 2) was fully expensed before the POR. *See* Preliminary Calculation Memorandum.
[153] *Id.*
[154] *See* Preliminary Calculation Memorandum.
[155] *See, e.g., CFS from the PRC*, and accompanying Issues and Decision Memorandum at "Analysis of Programs, Programs Determined Not To Have Been Used or Not To Have Provided Benefits During the POI for GE"; *see also Steel Wheels from the PRC*, and accompanying Issues and Decision Memorandum at "Income Tax Reductions for Firms Located in the Shanghai Pudong New District."

9. *Import Tariff and VAT Exemptions for Certain Domestic Enterprises Using Imported Technology and Equipment*

10. *VAT Rebate for FIE Purchases of Domestically Produced Equipment*

11. *Tax Program for High or New Technology FIEs*

12. *Preferential Tax Policies for Research and Development for FIEs*

13. *Tax Benefits for FIEs in Encouraged Industries that Purchase Domestic Equipment*

14. *Corporate Income Tax Refund Program for Reinvestment of FIE Profits in Export-Oriented Enterprises*

15. *Preferential Tax Policies for Township Enterprises*

16. *Tax Subsidies to FIEs in Specially Designated Areas*

17. *Preferential Tax Policies for Export-Oriented FIEs*

18. *Provision of Land in the Xiamen Jimei (Xingling) Taiwanese Investment Zone for LTAR*

X. CONCLUSION

We recommend applying the above methodology for these preliminary results.

☒	☐
Agree	Disagree

8/30/2017

X

Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and the duties of the
Assistant Secretary for Enforcement and Compliance