C-570-083
Investigation
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DATE: August 24, 2018

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

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

SUBJECT: Decision Memorandum for the Preliminary Determination in the Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China

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I. Summary

The Department of Commerce (Commerce) preliminarily determines that countervailable subsidies are being provided to producers and exporters of certain steel wheels (steel wheels) from the People's Republic of China (China), as provided in section 703 of the Tariff Act of 1930, as amended (Act).

II. Background

A. Initiation and Case History

On March 27, 2018, Commerce received petitions from Accuride Corporation (Accuride) and Maxion Wheels Akron LLC (Maxion) (collectively, the petitioners) seeking the imposition of antidumping (AD) and countervailing duties (CVD) on steel wheels from China.[1] Supplements to the petitions and our consultations with the Government of China (GOC) are described in the

[1] *See* Letter from the petitioners, "Petitions for the Imposition of Antidumping Duties and Countervailing Duties on Imports of Certain Steel Wheels from the People's Republic of China," (March 27, 2018) (Petition).

Initiation Notice and accompanying Initiation Checklist.[2] On April 24, 2018, Commerce initiated a CVD investigation of steel wheels from China.[3]

We stated in the *Initiation Notice* that, if respondent selection became necessary, we intended to base our selection of mandatory respondents on the United States Customs and Border Protection (CBP) entry data for the Harmonized Tariff Schedule of the United States (HTSUS) subheadings listed in the scope of the investigation. On April 18, 2018, Commerce released the CBP entry data under administrative protective order.[4]

The petitioners, Xiamen Sunrise Wheel Group Co., Ltd. (Xiamen Sunrise) and Zhejiang Jingu Company Limited (Zhejiang Jingu) each timely submitted comments and factual information on the CBP data and companies shown therein.[5] On May 24, 2018, we selected Xiamen Sunrise and Zhejiang Jingu as mandatory respondents.[6] We issued our countervailing duty questionnaire to the GOC, seeking information regarding the alleged subsidies on May 25, 2018.[7] Commerce instructed the GOC to forward the questionnaire to the selected mandatory respondents.[8] We received timely questionnaire and supplemental questionnaire responses from Xiamen Sunrise [9]

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[2] *See Certain Steel Wheels from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 17794 (April 24, 2018) (*Initiation Notice*) and accompanying initiation checklist.
[3] *See Initiation Notice.*
[4] *See* Memorandum, "Countervailing Duty Order on Certain Steel Wheels from the People's Republic of China; U.S. Customs and Border Protection Entry Data," dated April 18, 2018 (CBP Data Memorandum).
[5] *See* Petitioners' letter, "Certain Steel Wheels from the People's Republic of China – Petitioners' Respondent Selection Comments," dated April 25, 2018 (Petitioners' Respondent Selection Comment); *see also* Xiamen Sunrise's letter, "Certain Steel Wheels from the People's Republic of China: Comments on CBP Import Data," dated April 30, 2018 (Xiamen Sunrise's Respondent Selection Comment); *see also* Zhejiang Jingu's letter, "Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Comments on US Customs and Border Protection Data," dated April 30, 2018 (Zhejiang Jingu's Respondent Selection Comment). We note that Zhejiang Jingu's comments were submitted on behalf of Zhejiang Jingu and Shanghai Yata Industrial Company Limited (Shanghai Yata).
[6] *See* Memorandum, "Respondent Selection for the Countervailing Duty Investigation of Steel Wheels (Steel Wheels) from the People's Republic of China," dated May 24, 2018 (Respondent Selection Memo). With respect to Zhejiang Jingu, although we initially referenced this company along with Shanghai Yata, we consider the mandatory respondent to be Zhejiang Jingu.
[7] *See* Letter from Commerce, "Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Countervailing Duty Questionnaire," dated May 25, 2018 (Initial Questionnaire).
[8] *Id*.
[9] *See* Letter from Xiamen Sunrise, "Certain Steel Wheels from the People's Republic of China: Response to the Department's Affiliation Questions," dated June 8, 2018 (Xiamen Sunrise Affiliation QR); Letter from Xiamen Sunrise, "Certain Steel Wheels from the People's Republic of China: Response to Section III of the Department's Countervailing Duty Questionnaire," dated on July 12, 2018 (Xiamen Sunrise Initial QR); and Letter from Xiamen Sunrise, "Certain Steel Wheels from the People's Republic of China: Response to the Department's Supplemental Questionnaire," dated on July 16, 2018 (Xiamen Sunrise SQR).

and the GOC.[10] Zhejiang Jingu timely filed its affiliation questionnaire response.[11] Thereafter, on June 22, 2018, Zhejiang Jingu filed a letter notifying Commerce of its non-participation in this investigation.[12]

B. Postponement of Preliminary Determination

On May 31, 2018, based on a request from the petitioners[13], Commerce postponed the deadline for the preliminary determination until August 24, 2018, in accordance with section 703(c)(1)(A) of the Act and 19 CFR 351.205(e).[14]

C. Period of Investigation

The period of investigation (POI) is January 1, 2017, through December 31, 2017. This period corresponds to the most recently completed calendar year in accordance with 19 CFR 351.204(b)(2).

III. Scope Comments

In accordance with the Preamble to Commerce's regulations, we set aside a period of time in our *Initiation Notice* for parties to raise issues regarding product coverage and encouraged all parties to submit comments within 20 calendar days of publication of that notice.[15] No parties commented on the scope of this investigation.

Scope of the Investigation

The merchandise subject to this investigation is certain on-the-road steel wheels, discs, and rims for tubeless tires, with a nominal rim diameter of 22.5 inches and 24.5 inches, regardless of width. Certain on-the-road steel wheels with a nominal wheel diameter of 22.5 inches and 24.5 inches are generally for Class 6, 7, and 8 commercial vehicles (as classified by the Federal Highway Administration Gross Vehicle Weight Rating system), including tractors, semi-trailers,

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[10] *See* Letter from the GOC, "Steel Wheels from China, Case No. C-570-083: Government of China's Initial Questionnaire Response," dated on July 12, 2018 (GOC Initial QR); Letter from GOC, "Government of China's Initial Questionnaire Response for Sichuan Sunrise," dated August 14, 2018 (GOC Sichuan QR); Letter from GOC, "Government of China's Supplemental Questionnaire Response," dated August 14, 2018 (GOC SQR Part 1); Letter from GOC, "Steel Wheels from China: Case No. C-570-083: Government of China's Supplemental Questionnaire Response - Questions 2. 4. and.16," dated August 16, 2018 (GOC SQR Part 2).
[11] *See* Letter from Zhejiang Jingu, "Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Response to Section III Questions Identifying Affiliated Companies," dated on June 8, 2018 (Zhejiang Jingu Affiliation QR).
[12] *See* Letter from Zhejiang Jingu, "Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Notice of Decision to Not Participate in the Investigation," dated June 22, 2018 (Zhejiang Jingu Letter of Non-Participation).
[13] *See* Letter from the petitioners, "Certain Steel Wheels from China (C-570-083) – Petitioners' Request to Extend the Deadline for the Preliminary Determination," dated on May 15, 2018.
[14] *See Certain Steel Wheels from the People's Republic of China: Postponement of Preliminary Determination in the Countervailing Duty Investigation*, 83 FR 26257 (June 6, 2018).
[15] *See Antidumping Duties; Countervailing Duties*; *Final Rule*, 62 FR 27296, 27323 (May 19, 1997) (Preamble); *see also Initiation Notice*.

dump trucks, garbage trucks, concrete mixers, and buses, and are the current standard wheel diameters for such applications. The standard widths of certain on-the-road steel wheels are 7.5 inches, 8.25 inches, and 9.0 inches, but all certain on-the-road steel wheels, regardless of width, are covered by the scope. While 22.5 inches and 24.5 inches are standard wheel sizes used by Class 6, 7, and 8 commercial vehicles, the scope covers sizes that may be adopted in the future for Class 6, 7, and 8 commercial vehicles.

The scope includes certain on-the-road steel wheels with either a "hub-piloted" or "stud- piloted" mounting configuration, and includes rims and discs for such wheels, whether imported as an assembly or separately. The scope includes certain on-the-road steel wheels, discs, and rims, of carbon and/or alloy steel composition, whether cladded or not cladded, whether finished or not finished, and whether coated or uncoated. All on-the-road wheels sold in the United States are subject to the requirements of the National Highway Traffic Safety Administration and bear markings, such as the "DOT" symbol, indicating compliance with applicable motor vehicle standards. See 49 C.F.R. § 571.120. The scope includes certain on- the-road steel wheels imported with or without the required markings. Certain on-the-road steel wheels imported as an assembly with a tire mounted on the wheel and/or with a valve stem attached are included. However, if the certain on-the-road steel wheel is imported as an assembly with a tire mounted on the wheel and/or with a valve stem attached, the certain on- the-road steel wheel is covered by the scope, but the tire and/or valve stem is not covered by the scope.

Excluded from the scope are:
1) steel wheels for tube-type tires that require a removable side ring;
2) aluminum wheels;
3) wheels where steel represents less than fifty percent of the product by weight; and
4) steel wheels that do not meet National Highway Traffic Safety Administration requirements, other than the rim marking requirements found in 49 C.F.R. § 571.120S5.2.

Imports of the subject merchandise are currently classified under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 8708.70.4530, 8708.70.4560, 8708.70.6030, 8708.70.6060, 8716.90.5045, and 8716.90.5059. Merchandise meeting the scope description may also enter under the following HTSUS subheadings: 4011.20.1015, 4011.20.5020, and 8708.99.4850. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise is dispositive.

IV. Alignment

In accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4), and based on the petitioners' request,[16] we are aligning the final CVD determination in this investigation with the final determination in the companion AD investigation of certain steel wheels from China. Consequently, the final CVD determination will be issued on the same date as the final AD

[16] *See* Letter from the petitioners, "Certain Steel Wheels from China (C-570-083) – Petitioner's Request for Alignment of Countervailing Duty Investigation Final Determination Deadline with Antidumping Investigation Final Determination Deadline," dated August 8, 2018.

determination, which is currently scheduled to be due no later than January 7, 2019, unless postponed.[17]

V. Respondent Selection

Section 777(A)(e)(1) of the Act directs Commerce to calculate individual countervailable subsidy rates for each known producer/exporter of the subject merchandise. The countervailing duty petition named 32 exporters and/or producers of subject merchandise,[18] and the CBP entry data identified more than a thousand potential exporters and/or producers of subject merchandise during the POI.[19] Given the large number of producers/exporters of steel wheels from China, Commerce found that it would not be practicable to examine each known producer and/or exporter of subject merchandise in this investigation, consistent with section 777A(e)(2) of the Act and 19 CFR 351.204(c)(2).[20] Based on the available resources and the analysis of the CBP data placed on the record, we selected Xiamen Sunrise and Zhejiang Jingu, the two largest publicly-identifiable producers/exporters of the subject merchandise by volume, for individual examination as mandatory respondents in this investigation.

VI. Injury Test

Because China is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, the U.S. International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from China materially injure, or threaten material injury to, a U.S. industry. On May 11, 2018, the ITC determined that there is reasonable indication that an industry in the United States is materially injured by reason of imports of steel wheels from China that are allegedly subsidized by the GOC.[21]

VII. Application of the CVD Law to Imports from China

On October 25, 2007, Commerce published its final determination in *CFS from China*, where we found that:

> {G}iven the substantial differences between the Soviet-style economies and China's economy in recent years, the Department's previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China.[22]

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[17] *See Steel Wheels From the People's Republic of China: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation, 82 FR 42110 (August 20, 2018).*
[18] *See* Petition at 41 and Exhibit I-6.
[19] *See* CBP Data Memorandum.
[20] *See* Respondent Selection Memo.
[21] *See Steel Wheels from China; Determinations*, 83 FR 22990 (May 17, 2018).
[22] *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 China*) and accompanying Issues and Decision Memorandum (CFS IDM) at Comment 6.

Commerce affirmed its decision to apply the CVD law to China in numerous subsequent determinations.[23] Furthermore, on March 13, 2012, Public Law 112-99 was enacted which makes clear that Commerce has the authority to apply the CVD law to countries designated as non-market economies (NMEs) under section 771(18) of the Act, such as China.[24] The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.[25]

VIII. Diversification of China's Economy

Concurrently with this decision memorandum, Commerce is placing the following excerpts from the China Statistical Yearbook from the National Bureau of Statistics of China on the record of this investigation:[26] 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 China. The industrial sector in China alone is comprised of 37 listed industries and economic activities, indicating the diversification of China's economy.

IX. Subsidies Valuation

A. Allocation Period

Commerce normally allocates the benefits from non-recurring subsidies over the average useful life (AUL) of renewable physical assets used in the production of subject merchandise.[27] Commerce finds the AUL in this proceeding to be 12 years, pursuant to 19 CFR 351.524(d)(1) and the U.S. Internal Revenue Service 946 (2016), "Appendix B – Table of Class Lives and Recovery Periods" (IRS Pub. 946).[28] Commerce notified the respondents of this 12-year AUL in the initial CVD questionnaire and requested data accordingly. No party in this proceeding disputed this allocation period.

Accordingly, 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 across the AUL.

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[23] *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 Issues and Decision Memorandum at Comment 1.
[24] Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.
[25] *See* Public Law 112-99, 126 Stat. 265 §1(b).
[26] *See* Memorandum, "Additional Documents Memorandum," dated concurrently with this memorandum.
[27] *See* 19 CFR 351.524(b).
[28] *See* U.S. Internal Revenue Service Publication 946 (2016), "How to Depreciate Property," at Table B-2: Table of Class Lives and Recovery Periods.

B. Attribution of Subsidies

In accordance with 19 CFR 351.525(b)(6)(i), Commerce 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.

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 another corporation(s) in essentially the same ways it can use its own assets. This section of Commerce's regulations states that this standard will normally be met where there is a majority of voting ownership interest between two corporations or through common ownership of two (or more) corporations. The Preamble to Commerce's regulations further clarifies Commerce'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.[29]

Thus, Commerce'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 (CIT) upheld Commerce's authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same ways it could use its own subsidy benefits.[30]

Xiamen Sunrise

As discussed above, we selected Xiamen Sunrise as a mandatory respondent. Xiamen Sunrise reported that it is the ultimate parent and holding company of all its affiliated companies.[31] Xiamen Sunrise identified itself and three other affiliated companies as producers of subject merchandise:[32] Xiamen Sunrise Wheel Co., Ltd. (Sunrise Wheel), Xiamen Sunrise Metal Co.,

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[29] *See Countervailing Duties*, 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).
[30] *See Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-04 (CIT 2001).
[31] *See* Xiamen Sunrise Affiliation QR at 4.
[32] *See* Xiamen Sunrise Initial QR at 3-4.

Ltd. (Sunrise Metal), Sichuan Sunrise Metal Industry Co., Ltd. (Sichuan Sunrise).[33] In addition, Xiamen Sunrise identified Xiamen Topu Import & Export Co., ltd (Topu), as an affiliated trading company which exported subject merchandise to the United States.[34] Accordingly, Xiamen Sunrise provided complete questionnaire responses for all of the above companies. Therefore, based on these facts, pursuant to 19 CFR 351.525(b)(6)(vi), we preliminarily determine that Sunrise Wheel, Sunrise Metal, and Sichuan Sunrise are cross-owned with their parent company Xiamen Sunrise and are attributing any subsidy received by any of these companies to the combined sales of the companies, excluding intercompany sales, pursuant to 19 CFR 351.525(b)(6)(ii). Pursuant to 19 CFR 351.525(c), benefits from subsidies provided to a trading company that exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm that is producing subject merchandise that is sold through the trading company, regardless of whether the trading company and the producing firm are affiliated. Thus, we will cumulate any benefits from subsidies Topu received with the benefits from subsidies received by Xiamen Sunrise.

Zhejiang Jingu

As noted above, Zhejiang Jingu timely filed its affiliation questionnaire response;[35] however, on June 22, 2018, Zhejiang Jingu filed a letter of non-participation in this investigation.[36] Thus, Zhejiang Jingu precluded our investigation of whether it should be found cross-owned with any other entities under 19 CFR 351.525. Nonetheless, as an extension of our application of adverse facts available as discussed in further detail below, we will assign Zhejiang Jingu's rate to all of the entities named in its affiliation questionnaire response: Shanghai Yata Industry Company Limited; Shandong Jingu Auto Parts Co., Ltd.; Chengdu Jingu Wheel Co., Ltd; and An'Gang Jingu (Hangzhou) Metal Materials Co., Ltd.[37]

C. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondents' receipt of benefits under each program. As discussed in further detail below in the "Programs Preliminarily Determined to be Countervailable" section, where the program has been found to be countervailable as a domestic subsidy, we used the recipient's total combined sales as the denominator, as described above. Where the program has been found to be contingent upon export activities, we used the recipient's total combined export sales as the denominator. All sales used in our net subsidy rate

[33] *See* Xiamen Sunrise Affiliation QR at 3.
[34] *Id.* at 2.
[35] *See* Zhejiang Jingu Affiliation QR.
[36] *See* Zhejiang Jingu Letter of Non-Participation.
[37] *See* Zhejiang Jingu Affiliation QR at 1. We further note that these same companies, with exception of An'Gang Jingu (Hangzhou) Metal Materials Co., Ltd., have been found to be cross-owned with Zhejiang Jingu in a prior, similar proceeding. *See Certain Steel Wheels from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017, 17020 (Mar. 23, 2012) (*Steel Wheels Final*) and accompanying Issues and Decision Memorandum at "Attribution of Subsidies: The Jingu Companies."

calculations are net of inter-company sales. For a detailed explanation of the denominators used, *see* the preliminary calculation memorandum prepared for this preliminary determination.[38]

X. Benchmarks

Commerce is investigating loans received by the respondent from Chinese policy banks and state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies.[39] The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

A. Short-Term and Long-Term Loan Renminbi (RMB)-Denominated Loans

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, Commerce uses comparable commercial loans reported by the company as a benchmark.[40] If the firm did not have any comparable commercial loans during the period, Commerce's regulations provide that we "may use a national average interest rate for comparable commercial loans."[41]

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. For the reasons first explained in *CFS from China*, loans provided by Chinese banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market.[42] In an analysis memorandum dated July 21, 2017, Commerce conducted a re-assessment of the lending system in China.[43] Based on this re-assessment, Commerce concluded that, despite reforms to date, the Government of China's role in the system continues to fundamentally distort lending practices in China in terms of risk pricing and resource allocation, precluding the use of interest rates in China for CVD benchmarking or discount rate purposes. Consequently, we preliminarily find that any loans received by the respondent from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). For the same reasons, 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 benchmark for loans, Commerce is selecting an external market-based benchmark interest rate. The use of an external benchmark is consistent with Commerce's practice.[44]

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[38] *See* Memorandum, "Preliminary Determination Calculations for Xiamen Sunrise," dated concurrently with this memorandum (Xiamen Sunrise Preliminary Calculation Memo).
[39] *See* 19 CFR 351.524(b)(1).
[40] *See* 19 CFR 351.505(a)(3)(i).
[41] *See* 19 CFR 351.505(a)(3)(ii).
[42] *See* CFS IDM at Comment 10.
[43] *See* Memorandum to the File Placing "Review of China's Financial System Memorandum," on the Record, dated August 24, 2018.
[44] *See, e.g.*, *Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review; 2015*, 82 FR 46754 (October 6, 2017) and accompanying Decision Memorandum at 21 (unchanged in *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2015,* 83 FR 16055 (April 13, 2018)).

In past proceedings involving imports from China, we calculated the external benchmark using the methodology first developed in *CFS from the China* and more recently updated in *Thermal Paper from China*.[45] Under that methodology, we first determine which countries are similar to China 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 China*, this pool of countries captures the broad inverse relationship between income and interest rates. For 2003 through 2009, China fell in the lower-middle income category.[46] Beginning in 2010, however, China fell within the upper-middle income category and remained there from 2011 to 2017.[47] Accordingly, as explained below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2003-2009, and we used the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2017. This is consistent with Commerce's calculation of interest rates for recent CVD proceedings involving Chinese merchandise.[48]

After Commerce identifies the appropriate interest rates, the next step in constructing the benchmark has been 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 of the years from 2003-2009 and 2011-2017, the results of the regression analysis reflected the expected, common-sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates.[49] For 2010, however, the regression does not yield that outcome for China's income group.[50] This contrary result for a single year does not lead us to reject the strength of governance as a determinant of interest rates. Therefore, we continue to rely on the regression-based analysis used since *CFS from China* to compute the benchmarks for the years from 2001-2009 and 2011-2017. For the 2010 benchmark, we are using an average of the interest rates of the upper-middle income countries.

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 (IMF), and they are included in that agency's International Financial Statistics (IFS). With the exceptions noted below, we used the interest and inflation rates reported in the IFS for the countries identified as

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[45] *See* CFS IDM at Comment 10; *see also* Thermal Paper IDM at 8-10.
[46] *See* World Bank Country Classification, http://data.worldbank.org/about/country-and-lending-groups; *see also* Memorandum "Interest Rate Benchmark Memorandum," dated concurrently with this preliminary determination (Interest Rate Benchmark Memorandum).
[47] *Id.*
[48] *See, e.g., Certain Frozen Warmwater Shrimp from the People's Republic of China: Preliminary Countervailing Duty Determination*, 78 FR 33346 (June 4, 2013), and accompanying Preliminary Decision Memorandum at "Benchmarks and Discount Rates" (unchanged in *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013) (*Shrimp from China*).
[49] *See* Additional Documents Memorandum at Attachment 4; *see also* YPC Preliminary Analysis Memorandum; Interest Rate Benchmark Memorandum.
[50] *See* Interest Rate Benchmark Memorandum.

"upper middle income" by the World Bank for 2010-2017 and "lower middle income" for 2001-2009.[51] First, we did not include those economies that Commerce considered to be NMEs for AD purposes for any part of the years in question, for example: 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 remove any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments. Finally, for each year Commerce 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.[52] Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.[53]

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, Commerce 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.[54]

In *Citric Acid from China*, 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.[55] Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.[56]

B. Discount Rates

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 GOC provided non-recurring subsidies.[57] The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Xiamen Sunrise Preliminary Calculation Memorandum. As Commerce preliminarily finds that Xiamen Sunrise was uncreditworthy, we added a risk premium to the benchmark rate in accordance with 19 CFR.505(a)(3)(iii), to measure the benefit from Xiamen Sunrise's countervailable long-term loans.

C. Creditworthiness

As noted above, the petitioners submitted an allegation with respect to the creditworthiness of Xiamen Sunrise for the years from 2014 to 2017. Uncreditworthiness is a valuation issue that is properly addressed in the course of an investigation as long as parties have ample time to submit

[51] *Id*.
[52] *Id*.
[53] *Id*.
[54] *See, e.g.*, Thermal Paper IDM at 10.
[55] *See* Citric Acid IDM at Comment 14.
[56] *See* Interest Rate Benchmark Memorandum.
[57] *See* Xiamen Sunrise Preliminary Calculation Memorandum; *see also* Interest Rate Benchmark Memorandum.

information and argument on the point. In this case, adequate time exists. After a review of the petitioners' allegation, Commerce considers the uncreditworthiness allegation to be timely filed and will investigate the allegation by reviewing the record to analyze whether Xiamen Sunrise was creditworthy in the years 2014 through 2017. Thus, Commerce has determined that the petitioners' allegation satisfied the requirements of 19 CFR 351.505(a)(6)(i).[58] Furthermore, we have analyzed the information on the record and we preliminarily determine that Xiamen Sunrise was uncreditworthy in 2014 through 2017, the years in which it received countervailable government grants and long-term loans from the government policy banks.[59] Therefore, for purposes of this preliminary determination, pursuant to 19 CFR 351.505(a)(3)(iii), we derived an "uncreditworthy" interest rate for Xiamen Sunrise. Notwithstanding our preliminary determination, we intend to issue a creditworthiness questionnaire after the preliminary determination. Parties wishing to comment on this issue should do so as part of their case briefs, as described below in the section entitled, "Disclosure and Public Comment."

D. Benchmarks for Government Provision Hot-Rolled Steel at Less Than Adequate Remuneration

As discussed below, Xiamen Sunrise reported purchasing hot-rolled steel. We selected benchmarks for determining the benefit from the provision of hot-rolled steel in accordance with 19 CFR 351.511. Section 351.511(a)(2) sets forth the basis for identifying comparative benchmarks for determining whether a government good or service is provided for less than adequate remuneration (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 discussed in the section titled "Provision of Hot-Rolled Steel Coil Inputs for LTAR," we are relying on "tier two" (world market) prices for calculating benchmarks for the government provision of HRS.

We received data submissions from the petitioners to consider using the "tier two" benchmarks for hot-rolled steel coil. *The petitioners* submitted data from the MEPS (International) Ltd., UN Comtrade Database (Comtrade), and China Customs Data.[60] Specifically, the petitioners submitted pricing data for HTS subheadings 720836, 721114, and 721119 as potential benchmarks for hot-rolled steel. We determine that the MEPs (International) Ltd. data may serve as a world market benchmark price for hot-rolled coil that would be available to purchasers of hot-rolled coil in China. We note that Commerce has relied on pricing data from MEPS (International) Ltd. in several CVD proceedings involving China.[61] We did not select China Customs Data as Xiamen Sunrise noted that China's official Customs database system has been

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[58] *See Creditworthiness Memorandum.*
[59] *Id.*
[60] *See* Letter from the petitioners, "Certain Steel Wheels from China (C-570-083): Petitioners' Benchmark Factual Information," dated July 25, 2018, at 3-5 and Exhibits 10-12 (Petitioners' Benchmark Information).
[61] *See, e.g., Steel Wheels I* and accompanying Preliminary Decision Memorandum at 25 and *Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 4936 (January 28, 2009).

shut down since April 25, 2018, and therefore data from this source may not be verifiable.[62] The petitioners also provided pricing data for use as potential benchmarks for ocean freight rates from a variety of world ports to Xiamen Port in 2017 as reported by Maersk Line.[63]

Xiamen Sunrise provided world export prices of HRS based on the information sourced from American Metal Market (AMM).[64] However, as the petitioners have pointed out, Xiamen Sunrise's submission consists of a geographically limited sample of information that does not cover all world exports of hot-rolled steel coil from the data supplier.[65] We preliminarily find that the data do not come with an indication that it is representative of the entire American Metal Market data set.

With respect to the hot-rolled steel for Xiamen Sunrise, we are relying on MEPS (International) Ltd. Prices for hot-rolled steel submitted by the petitioners which reflect the primary hot-rolled steel purchased by Xiamen Sunrise to use in the production of subject merchandise during the POI.[66]

With respect to ocean freight expenses, the petitioners submitted ocean freight data sourced from Maersk Line for 2017. For our preliminary calculations, we are relying on the ocean freight data submitted by the petitioners because it is contemporaneous with our POI.[67]

Regarding inland freight, import duties and VAT, we have used information submitted by the petitioners in the Petition.[68]

E. Benchmark for Government Provision of Land for Less Than Adequate Remuneration (LTAR)

As explained in detail in previous investigations, Commerce cannot rely on the use of the so-called "tier one" and "tier two" benchmarks described above to assess the benefits from the provision of land for LTAR in China. Specifically, in *Sacks from China*, Commerce determined that "Chinese land prices are distorted by the significant government role in the market," and hence, no usable "tier one" benchmarks exist.[69] Furthermore, Commerce also found that "tier two" benchmarks (world market prices that would be available to purchasers in China) are not appropriate.[70] Accordingly, consistent with Commerce's past practice, we are relying on the use

[62] *See* Xiamen Sunrise Benchmark Rebuttal Comments dated August 6, 2018.
[63] *See* Petitioners' Benchmark Information, at 5 and Exhibits 14-15.
[64] *See* Letter from Xiamen Sunrise, "Certain Steel Wheels from the People's Republic of China: CVD Benchmarks Information," dated July 25, 2018 (Xiamen Sunrise's Benchmark Information).
[65] *See* Letter from the petitioners, "Certain Steel Wheels from China (C-570-083) – Petitioners' Rebuttal Benchmark Factual Information," dated August 6, 2018 at 2.
[66] *See* Petitioners' Benchmark Information.
[67] *Id*.
[68] *See* Xiamen Sunrise Preliminary Calculation Memo.
[69] *See, e.g., Laminated Woven Sacks from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination; Preliminary Affirmative Determination of Critical Circumstances, In Part; and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 72 FR 67893, 67906-08 (December 3, 2007) (unchanged in *Sacks from China*).
[70] *Id*.

of so called “tier three” benchmarks for purposes of calculating a benefit for this program.

For this investigation, the petitioners submitted industrial land prices from Thailand, adjusted for inflation.[71] Commerce used this benchmark in the CVD investigations of *Solar Cells from China* and *ITDCs from China*.[72] We initially selected this information in the *Sacks from China* investigation after considering a number of factors, including national income levels, population density, and producers’ perceptions that Thailand is a reasonable alternative to China as a location for Asian production.[73] We find that these benchmarks are suitable for this preliminary determination, adjusted accordingly for inflation, to account for any countervailable land received by Xiamen Sunrise during the AUL of this investigation.[74]

XI. Use of Facts Otherwise Available and Adverse Inferences

A. Legal Standard

Sections 776(a)(1) and (2) of the Act provide that Commerce shall, subject to section 782(d) of the Act, 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 Commerce, 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.

Section 776(b) of the Act further provides that Commerce may use an adverse inference in selecting from among 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. Further, section 776(b)(2) states that an adverse inference may include reliance on information derived from the petition, the final determination from the investigation, a previous administrative review, or other information placed on the record. When selecting an adverse facts available (AFA) rate from among the possible sources of information, Commerce’s practice is to ensure that the rate is sufficiently adverse “as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide Commerce with complete and accurate information in a timely

[71] *See* Letter from the petitioners, “Certain Steel Wheels from China (C-570-083) – Petitioners’ Benchmark Factual Information,” dated July 25, 2018 (Petitioners’ Benchmark Submission).
[72] *See Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 77 FR 63788 (October 17, 2012) (*Solar Cells from China*) and accompanying IDM at 6 and Comment 11; *Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 81 FR 21316 (April 11, 2016) (*ITDCs from China*) and accompanying IDM at 13.
[73] The complete history of our reliance on this benchmark is discussed in the above-referenced *Solar Cells from China* IDM. In that discussion, we reviewed our analysis from the *Sacks from China* investigation and concluded the CBRE data remained a valid land benchmark.
[74] *See* Xiamen Sunrise Preliminary Calculation Memorandum.

manner."[75] Commerce's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[76]

Section 776(c) of the Act provides that, when Commerce 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 "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."[77] It is Commerce's practice to consider information to be corroborated if it has probative value.[78] In analyzing whether information has probative value, it is Commerce's practice to examine the reliability and relevance of the information to be used.[79] However, the SAA emphasizes that Commerce need not prove that the selected facts available are the best alternative information.[80]

In a CVD investigation, Commerce requires information from both the foreign producers and exporters of the merchandise under investigation and the government of the country where those producers and exporters are located. When the government fails to provide requested and necessary information concerning alleged subsidy programs, Commerce, applying AFA, may find that a financial contribution exists under the alleged program and that the program is specific. However, where possible, Commerce will rely on the responsive producer's or exporter's records to determine the existence and amount of the benefit conferred, to the extent that those records are useable and verifiable.

Otherwise, under section 776(d) of the Act, Commerce may use any 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, use 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, Commerce 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.[81]

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[75] *See, e.g.*, *Drill Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 76 FR 1971 (January 11, 2011) (*Drill Pipe from China*); *see also 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).
[76] *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.
[77] *See, e.g.*, SAA at 870.
[78] *See* SAA at 870.
[79] *See, e.g.*, SAA at 869.
[80] *See* SAA at 869-70.
[81] *See* section 776(d)(3) of the Act.

For purposes of this preliminary determination, we are applying AFA in the circumstances outlined below.

B. Application of Total AFA: Non-Responsive Company

As discussed in the "Initiation and Case History" section above, Zhejiang Jingu was selected as a mandatory respondent in this investigation, and timely filed its affiliation questionnaire response.[82] However, on June 22, 2018, Zhejiang Jingu filed a letter of non-participation in this investigation.[83] Thus, the company failed to provide a response to Commerce's complete CVD questionnaire. Therefore, we preliminarily find that Zhejiang Jingu withheld information that had been requested and failed to provide information within the deadlines established.[84] By not responding to the complete questionnaire and filing a letter of non-participation, Zhejiang Jingu significantly impeded this proceeding.[85] Thus, in reaching a preliminary determination, pursuant to sections 776(a)(2)(A), (B), and (C) of the Act, we based the CVD rate for this company and our findings regarding specificity and financial contribution by the GOC on facts otherwise available.

Moreover, we preliminarily determine that an adverse inference is warranted, pursuant to section 776(b) of the Act, because by failing to respond to Commerce's complete questionnaire, Zhejiang Jingu did not cooperate to the best of its ability to comply with the requests for information in this investigation. Accordingly, we preliminarily determine that use of AFA is warranted to ensure that this company (the "non-responsive company") does not obtain a more favorable result by failing to cooperate than if it had fully complied with our requests for information.

Furthermore, as noted above, although Zhejiang Jingu submitted a timely affiliation questionnaire response, by filing a letter of non-participation and failing to respond to the complete questionnaire the company precluded our investigation of whether it should be found cross-owned with any other entities under 19 CFR 351.525. Therefore, as an extension of our application of AFA, we will assign Zhejiang Jingu's rate to all of the entities named in its affiliation questionnaire response.[86] We find that this is an appropriate measure to ensure that Zhejiang Jingu does not obtain, through these companies, a more favorable result based on its non-cooperation.

Therefore, in applying AFA, Commerce is finding the programs identified below[87] to be countervailable – that is, they provide a financial contribution within the meaning of sections

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[82] *See* Zhejiang Jingu Affiliation QR.
[83] *See* Zhejiang Jingu Letter of Non-Participation.
[84] *See* the Section III of the Initial Questionnaire.
[85] *See* Letter from Zhejiang Jingu, "Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Notice of Decision to Not Participate in the Investigation," dated June 22, 2018.
[86] *See* Zhejiang Jingu Affiliation QR at 1.
[87] The Initiation Checklist identified certain company-specific alleged subsidy programs that would only be investigated to the extent that they appear in the financial statements of the named company if it was chosen as a respondent. *See* Initiation Checklist at 50-54. Thus, we have not included these company-specific alleged subsidy programs that are not related to Zhejiang Jingu in its AFA rate.

771(5)(B)(i) and (D) of the Act, confer a benefit within the meaning of sections 771(5)(B) and (E) of the Act, and are specific within the meaning of section 771(5A) of the Act. We are, therefore, including these programs in the determination of the AFA rate.[88] We selected an AFA rate for each of these programs and included them in the determination of the AFA rate applied to Zhejiang Jingu. Commerce has previously countervailed these programs.

Selection of the AFA Rate

It is Commerce's practice in CVD proceedings to compute a total AFA rate for non-cooperating companies using the highest calculated program-specific rates determined for the cooperating respondents in the instant investigation, or, if not available, rates calculated in prior CVD cases involving the same country.[89] When selecting AFA rates, section 776(d) of the Act provides that Commerce may use a countervailable subsidy rate applied for the same or a similar program in a countervailable duty proceeding involving the same country, or, if there is no same or similar program, use a countervailable subsidy rate for a subsidy program from a proceeding that the administering authority considers reasonable to use, including the highest of such rates.[90] Accordingly, when selecting AFA rates, if we have cooperating respondents, as we do in this investigation, we first determine if there is an identical program in the investigation and use the highest calculated rate for the identical program. If there is no identical program that resulted in a subsidy rate above zero for a cooperating respondent in the investigation, we then determine if an identical program was used in another CVD proceeding involving the same country, and apply the highest calculated rate for the identical program (excluding *de minimis* rates).[91] If no such rate exists, we then determine if there is a similar/comparable program (based on the treatment of the benefit) in another CVD proceeding involving the same country and apply the highest calculated above-*de minimis* rate for the similar/comparable program. Finally, where no such rate is available, we apply the highest calculated above-*de minimis* rate from any non-company specific program in a CVD case involving the same country that the company's industry could conceivably use.[92]

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[88] *See* Appendix 1.

[89] *See, e.g., Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 73 FR 70971, 70975 (November 24, 2008) (unchanged in *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 74 FR 29180 (June 19, 2009), and accompanying Issues and Decision Memorandum at "Application of Facts Available, Including the Application of Adverse Inferences"); *see also Aluminum Extrusions from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 76 FR 18521 (April 4, 2011) (*Aluminum Extrusions from China Final*), and accompanying Issues and Decision Memorandum at "VI. Use of Facts Otherwise Available and Adverse Inferences: Application of Adverse Inferences: Non-Cooperative Companies."

[90] *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 China*), and accompanying Issues and Decision Memorandum (Shrimp 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").

[91] For purposes of selecting AFA program rates, we normally treat rates less than 0.5 percent to be *de minimis*. *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), and accompanying Issues and Decision Memorandum at "1. Grant Under the Tertiary Technological Renovation Grants for Discounts Program" and "2. Grant Under the Elimination of Backward Production Capacity Award Fund."

[92] *See* Shrimp IDM at 13-14.

In applying AFA to Zhejiang Jingu, we are guided by Commerce's methodology detailed above. We begin by selecting, as AFA, the highest calculated program-specific above-zero rates determined for the cooperating respondents in the instant investigation. Accordingly, we are applying the highest applicable subsidy rate calculated for the cooperating respondents for the following programs:

- Provision of Hot-rolled Steel Inputs for LTAR
- Provision of Land-Use Rights to Steel Wheels Producers
- Provision of Electricity for LTAR

In applying an AFA rate for the following income tax reduction programs on which Commerce initiated an investigation, we are drawing an adverse inference that Zhejiang Jingu paid no Chinese income tax during the POI:

- Income Tax Reductions for High-and-New-Technology Enterprises
- Enterprise Income Tax Law, Research and Development (R&D) Program
- Income Tax Reduction for Advanced-Technology FIEs
- Income Tax Credits Purchases of Domestically-Produced Equipment by FIEs
- Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment
- Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax
- Preferential Tax Policies for the Development of Western Regions of China
- Preferential Income Tax Policy for Enterprises in the Northern Region
- Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northern China

The standard income tax rate for corporations in China in effect during the POI was 25 percent.[93] Thus, the highest possible benefit for these income tax programs is 25 percent. Accordingly, we are applying the 25 percent AFA rate on a combined basis (*i.e.*, the nine programs, combined, provide a 25 percent benefit). Consistent with past practice, application of this AFA rate for preferential income tax programs does not apply to tax credit, tax rebate, or import tariff and VAT exemption programs because such programs may provide a benefit in addition to a preferential tax rate.[94]

For all other programs not identified above, we are applying, where available, the highest above-*de minimis* subsidy rate calculated for the same or comparable programs in a CVD investigation or administrative review involving China. For this preliminary determination, we are able to match, based on program names, descriptions, and benefit treatments, the following programs to the same or similar program from other CVD proceedings involving China:

[93] *See* CVD Initiation Checklist at 8.
[94] *See, e.g.*, *Aluminum Extrusions from China Final IDM* at "Application of Adverse Inferences: Non-Cooperative Companies."

Same or Similar Programs:

- Government Provision of Land to State-Owned Enterprises (SOEs)
- Provision of Land LTAR to FIEs
- Provision of Land-Use Rights in Industrial and Other Special Economic Zones
- Government Policy Lending Program
- Preferential Loans to State-Owned Enterprises (SOEs)
- Discounted Loans for Export-Oriented Enterprises
- Preferential Loans for Key Projects and Technologies
- Treasury Bond Loans
- Loans & Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- Export Seller's Credit
- Export Buyer's Credit
- Export Credit Insurance Subsidies
- Export Credit Guarantees
- Import Duty Exemptions for Imported Equipment
- VAT Exemptions for Imported Equipment
- VAT Refunds for FIEs on Purchases of Chinese-Made Equipment
- VAT Exemptions and Reductions for Central Regions
- VAT Exemptions and Reductions for Northern Regions
- Import Duty Exemptions for Equipment Under the Preferential Tax Policy of Development of Western Regions of China
- Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
- Famous Brands Program
- SME International Market Exploration Fund
- Export Assistance Grants
- Grants for Export Credit Insurance
- Export Interest Subsidies for Enterprises Located in Zhejiang Province
- Foreign Trade Development Fund Program Grants
- Special Fund for Energy-Saving Technology Reform
- The Clean Production Technology Fund
- Emission Reduction Award
- State Special Fund for Promoting Key Industries and Innovation Technologies
- State Key Technology Renovation Project Fund Program
- Initial Public Offering (IPO) Grants from the Hangzhou Prefecture
- Initial Public Offering (IPO) Grant from the City of Fuyang
- Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes
- Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers
- Hangzhou City Government Grants under the Hangzhou Excellent New Products/Technology Award
- Fuyang City Government Grants under the Export of Subcontract Services Program
- Export Contingent Grants Provided by the Fuyang City Government
- Investment Grants from Fuyang City Government for Key Industries

- Direct Government Grants to Zhejiang Jingu Company Ltd.

Based on the methodology described above, we preliminarily determine the AFA countervailable subsidy rate for Zhejiang Jingu to be 172.51 percent *ad valorem*. The Appendix contains a chart summarizing our calculation of this rate.

Corroboration of AFA Rate

Section 776(c)(1) of the Act provides that, in general, when Commerce 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."[95] The SAA provides that to "corroborate" secondary information, Commerce will satisfy itself that the secondary information to be used has probative value.[96]

Commerce will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that Commerce need not prove that the selected facts available are the best alternative information.[97] Furthermore, Commerce is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate or to demonstrate that the countervailable subsidy rate reflects an "alleged commercial reality" of the interested party.[98]

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. With respect to the relevance aspect of corroboration, Commerce will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. Commerce will not use information where circumstances indicate that the information is not appropriate as AFA.[99]

Commerce has reviewed the information concerning China subsidy programs in this and other proceedings. Where we have a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs in this case. The relevance of these rates is that they are actual calculated CVD rates for subsidy programs in China, from which Zhejiang Jingu could actually receive a benefit. Thus, we are applying subsidy rates, which were calculated in this investigation or previous Chinese CVD investigations or administrative

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[95] *See* SAA at 870.
[96] *Id.*
[97] *Id*. at 869-870.
[98] *See* section 776(d) of the Act.
[99] *See, e.g.*, *Fresh Cut Flowers from Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812 (February 22, 1996).

reviews. Therefore, we have corroborated pursuant to section 776(c)(1) of the Act to the extent practicable for purposes of this investigation.

D. Application of AFA: Export Buyer's Credit

As discussed below under the section "Programs Preliminarily Found to be Countervailable," Commerce is investigating the Export Buyer's Credit Program. Commerce preliminarily determines that use of AFA is warranted in determining the countervailability of the Export Buyer's Credits program because the GOC did not provide the requested information needed to allow Commerce to fully analyze this program.

In our initial CVD questionnaire, we requested that the GOC provide the information requested in the Standard Questions Appendix "with regard to all types of financing provided by the China Export/Import Bank (ExIm) under the Buyer Credit Facility."[100] The Standard Questions Appendix requested various information that Commerce requires in order to analyze the specificity and financial contribution of this program, including the following: translated copies of the laws and regulations pertaining to the program, a description of the agencies and types of records maintained for administration of the program, a description of the program and the program application process, program eligibility criteria, and program use data. Rather than respond to the questions in the Standard Questions Appendix, the GOC stated it had confirmed "neither Xiamen Sunrise nor any of its affiliates or U.S. customers applied for, used, or benefited from this program during the POI. Therefore, the GOC understands that this question is not applicable."[101]

In our initial questionnaire, we noted that "{a}ccording to officials from the Export-Import Bank of China (EIBC), the Administrative Measures of Export Buyer's Credit of EIBC relating to this program were revised in 2013,"[102] and asked that the GOC submit the 2013 revisions to the administrative measures. In its response, the GOC failed to provide the 2013 revisions.[103] We, therefore, again requested that the GOC provide the 2013 revisions.[104] In the same supplemental questionnaire, we also repeated a request for a list of partner/correspondent banks involved in the program. The GOC claimed the Export-Import Bank of China confirmed to the GOC that its 2013 guidelines "are internal to the bank, non-public, and not available for release." Further, the GOC claimed that our questions were "not applicable" because none of the Xiamen Sunrise's U.S. customers used the program (as indicated by not using partner/correspondent banks).[105] In addition, we also requested that the GOC report the interest rates established during the POR for this program for all types of financing provided by China Ex-Im, all loan terms and all denominations. Instead of providing the requested information,

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[100] *See* Initial Questionnaire at 26.
[101] *See* GOC Initial QR at 26.
[102] *See* Initial Questionnaire at 26.
[103] *See* GOC Initial QR at 26-28.
[104] *See* Letter from Commerce, "Supplemental Questionnaire for the Countervailing Duty Investigation of Certain Steel Wheels from the People's Republic of China: Section II Responses," dated August 7, 2018 (GOC Supplemental Questionnaire).
[105] *See* GOC SQR Part 1, at 9.

the GOC stated the question was "not applicable" because none of the respondents' U.S. customers used this program.[106]

However, this response failed to provide Commerce with necessary information to determine whether respondents used this program. Through its deficient responses to Commerce's initial and supplemental questionnaires, the GOC has withheld necessary information, including any information concerning the 2013 program revisions, thereby impeding Commerce's ability to analyze the program's operation or to determine how the program could be properly verified. The GOC is the only party that can answer questions about the internal administration of this program, and thus, absent the requested information, the GOC's and respondent companies' claims of non-use of this program are not verifiable. Furthermore, the responses provided by the GOC on this record appear similar to its previous responses with respect to this program which we have found lacking in prior China CVD proceedings.[107]

Pursuant to sections 776(a)(2)(A) and (2)(C) of the Act, when an interested party withholds information requested by Commerce and significantly impedes a proceeding, Commerce uses facts otherwise available. We find that the use of facts otherwise available is appropriate in light of the GOC's refusal to provide the 2013 revisions. Furthermore, pursuant to section 776(b) of the Act, we find that the GOC has failed to cooperate by not acting to the best of its ability because it failed to provide necessary information based on its own analysis of whether the questions were applicable, notwithstanding Commerce's request for the information. Accordingly, the application of AFA is warranted.

We preliminarily find, as AFA, that under this program the GOC bestowed a financial contribution pursuant to section 771(5)(D) of the Act, there was a benefit pursuant to section 771(5)(E) of the Act, and the program is specific pursuant to section 771(5A) of the Act. Thus, notwithstanding Xiamen Sunrise's claims of non-use and certifications of non-use from its customers, we find AFA is warranted. Although Commerce has accepted certifications of non-use from the respondents' customers to determine countervailability in prior proceedings investigating this program, as discussed above, this program was apparently amended in 2013.[108] To fully analyze whether the current program is run in the same manner, as we have discussed other proceedings investigating this program,[109] Commerce must be able to review the amendments to the program. Because the GOC has not provided the requisite information regarding the program's amendments, Commerce was unable to do so.

[106] *See* GOC Initial QR at 25.
[107] *See, e.g.*, *Chlorinated Isocyanurates from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review; 2015*, 82 FR 57209 (December 4, 2017) and accompanying Preliminary Decision Memorandum (PDM) at "Application of AFA to Export Buyer's Credit Program," unchanged in *Chlorinated Isocyanurates from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2015*, 83 FR 26954 (June 11, 2018) and accompanying IDM at Comment 1.
[108] *See* GOC SQR at 7.
[109] *See, e.g.*, *Truck and Bus Tires from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 8606 (January 27, 2017) (*Truck and Bus Tires from China*) and accompanying IDM at Comments 2-6.

Based on the AFA rate selection hierarchy described above, for this program 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 China Investigation Amended Final* proceeding, as the rate for these companies.[110]

E. Application of AFA for the Provision of Hot-Rolled Steel Inputs for LTAR

As discussed below under "Programs Found to Be Countervailable," Commerce examined whether the GOC provided hot-rolled steel (HRS) to the respondents for less than adequate remuneration (LTAR).

Government of China – Whether Certain Hot-Rolled Steel Producers are "Authorities"

We asked the GOC to provide information regarding the specific companies that produced HRS which the respondents purchased during the POI. Specifically, we sought information from the GOC which would allow us to analyze whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act. In prior CVD proceedings involving China, Commerce has determined that when a respondent purchases an input from a trading company or non-producing supplier, a subsidy is conferred if the producer of the input is an "authority" within the meaning of section 771(5)(B) of the Act and that the price paid by the respondent for the input was for LTAR.[111]

In Commerce's initial CVD questionnaire, we requested that the GOC provide certain information pertaining to all enterprises that produced the HRS purchased by the respondents during the POI.[112] We instructed the GOC to coordinate with the respondents to obtain a complete list of the producers of HRS, including the producers of HRS purchased through a supplier.

As an initial matter, the GOC failed to identify which producers of HRS are majority government-owned. In its initial response to Commerce's CVD questionnaire, the GOC provided the number of HRS-producing enterprises in which the GOC maintained a majority or controlling ownership or management interest during the POI.[113] However, the GOC failed to provide the identity of these producers. The sources for the HRS producer information are the National Bureau of Statistics (SSB) and the China Iron and Steel Association (CISA) which, according to the GOC, have no specific data regarding HRS, "as it is not an industry category of

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[110] *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, 70202 (Nov.17, 2010) (*Coated Paper from China Investigation Amended Final*) (identifying a revised ad valorem subsidy rate of 10.54 percent under "Preferential Lending to the Coated Paper Industry").

[111] *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 "Hot-Rolled Steel for Less Than Adequate Remuneration"; *Kitchen Shelving and Racks from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 74 FR 37012 (July 27, 2009), and accompanying IDM at "Provision of Wire Rod for Less Than Adequate Remuneration."

[112] *See* Initial CVD Questionnaire, at Section II, "Questions Regarding the Producers of Hot-Rolled Steel."

[113] *See* GOC IQR at 37 and Exhibit HRS-1.

statistics."[114] The GOC also provided some information regarding hot-rolled steel, hot-rolled thin & wide steel strip, hot-rolled narrow steel strip, and middle-thick & wide steel strip.[115] However, the GOC failed to identify the producers of HRS in which it maintained a majority or controlling ownership or management interest during the POI. The GOC stated that the SSB does not "collect or maintain specific information for the companies in which the government maintains less than a majority ownership or less than a controlling interest. The GOC also does not believe that any other entity maintains such information;" and as a result, the GOC failed to provide the number or identity of producers of HRS in which the GOC maintains a majority or controlling ownership or management interest.[116]

Furthermore, we requested information on the owners, members of the board of directors, or managers of the producers who are also government or Chinese Communist Party (CCP) officials or representatives during the POI. The GOC did not provide this requested information for any of the producers. Specifically, the GOC stated that "{t}here is no central governmental database to search for the requested information on whether any individual owner, member of the board of directors, or senior manager is a Government or CCP official, and the industry and commerce administration does not require companies to provide such information."[117] Further, the GOC argued that "{e}ven if an owner, a director, or a manager of a supplier company is a member or representative of these three organizations, this circumstance would not make the management and business operations of the company in which he/she serves subject to any intervention by the GOC."[118]

The information we requested regarding the role of CCP officials in the management and operations of these producers is necessary for our determination as to 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. The GOC's responses in prior CVD proceedings involving China demonstrate that it is, in fact, able to access information similar to what we requested.[119] Additionally, pursuant to section 782(c) of the Act, if the GOC could not provide any of the requested information, it should have promptly explained to Commerce what attempts it undertook to obtain this information and proposed alternative forms of providing the information.[120]

We preliminarily find that the GOC has withheld necessary information that was requested of it and, thus, that Commerce must rely on "facts otherwise available" in issuing its preliminary

[114] *Id.*
[115] *Id.*
[116] *Id.* at 44.
[117] *Id.* at Exhibit HRS-1.
[118] *Id.*
[119] *See, e.g., High Pressure Steel Cylinders from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012), and accompanying Issues and Decision Memorandum at 13.
[120] Section 782(c)(1) of the Act states, "{i}f an interested party, promptly after receiving a request from the administering authority or the Commission for information, notifies the administering authority or the Commission (as the case may be) that such party is unable to submit the information requested in the requested form and manner, together with a full explanation and suggested alternative forms in which such party is able to submit the information, the administering authority or the Commission (as the case may be) shall consider the ability of the interested party to submit the information in the requested form and manner and may modify such requirements to the extent necessary to avoid imposing an unreasonable burden on that party."

determination, pursuant to section 776(a)(2)(A) of the Act. Moreover, we preliminarily find that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that AFA is warranted pursuant to section 776(b) of the Act. As AFA, we are preliminarily finding that each of the producers of HRS, for which the GOC failed to provide complete information which is necessary for our financial contribution analysis, are "authorities" within the meaning of section 771(5)(B) of the Act.

Government of China – Whether the Provision of HRS is Specific

Commerce asked the GOC to provide a list of industries in China that purchase HRS directly, and to provide the amounts (volume and value) purchased by each of the industries. Commerce requests such information for purposes of its *de facto* specificity analysis. Specifically, our questionnaire asked the GOC to:

> Provide a list of the industries in the PRC that purchase hot-rolled steel directly, using a consistent level of industrial classification. Provide the amounts (volume and value) purchased by the industry in which the mandatory respondent companies operate, as well as the totals purchased by every other industry. In identifying the industries, please use whatever resource or classification scheme the Government normally relies upon to define industries and to classify companies within an industry. Please provide the relevant classification guidelines, and please ensure the list provided reflects consistent levels of industrial classification. Please clearly identify the industry in which the companies under investigation are classified.[121]

The GOC provided a list of industries that used ferroalloy metal in 2012,[122] an excerpt of the national standard on "Industries Classification in National Economy,"[123] which reflect all the economic activities in the China and includes steel producer sectors, and an excerpt of the general categorization of all economic activities under the United Nation's "International Standard Industrial Classification for All Economic Activities."[124] That information submitted by the GOC, however, is insufficient because it does not report the actual Chinese industries that purchased HRS and the volume and value of each industry's respective purchase for the POI, as we requested. The GOC stated that it does not collect official data regarding the industries in China that purchase HRS directly.[125]

Therefore, consistent with past proceedings,[126] we preliminarily determine that necessary information is not available on the record and that the GOC has withheld information that

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[121] *See* Initial Questionnaire at "Questions Regarding the Hot-Rolled Steel Industry."
[122] *See* GOC IQR at HRS-12.
[123] *Id*. at HRS 13.
[124] *Id*. at HRS-14.
[125] Page 48 of the questionnaire response.
[126] *See, e.g., Utility Scale Wind Towers from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 75978 (December 26, 2012) (*Wind Towers from China*), and accompanying Issues and Decision Memorandum at Comment 13, where Commerce found that the GOC's list of industries that used ferroalloy metal in 2002 supported a conclusion that the GOC tracks industry consumption information and failed to comply with our request for information.

was requested of it, and, thus, that Commerce must rely on "facts available" in making our preliminary determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. 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 pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of HRS is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act.

Application of AFA: GOC – Whether the HRS Market is Distorted

In Commerce's Initial CVD Questionnaire, we asked the GOC to respond to specific questions regarding the Chinese hot-rolled steel market for the POI and the two prior years.

Specifically, we asked the GOC to provide:

- The total volume and value of Chinese domestic consumption of hot-rolled steel and the total volume and value of Chinese domestic production of hot-rolled steel.
- Provide a list of the industries in the PRC that purchase hot-rolled steel directly, using a consistent level of industrial classification.
- A discussion of what laws, plans, or policies address the pricing of hot-rolled steel
- The percentage of the total volume and (separately) value of domestic production that is accounted for by companies in which the government maintains a majority ownership or a controlling management interest, either directly or through other Government entities.

We requested this information to inform our analysis of the degree of the GOC's presence in the HRS market and whether such presence results in the distortion of prices.[127] The GOC failed to provide the value of Chinese domestic production or the value of Chinese domestic consumption of HRS. Instead of providing the requested information, the GOC stated that the information was not available.[128] In addition, the GOC did not provide a discussion of any laws, plans, or policies addressing the pricing of HRS, its levels of production, importation, exportation, or capacity development. Instead, the GOC provided the Price Law of the PRC[129] and stated that "it was unable to address this question because the hot-rolled steel industry is very large, diversified and dynamic in nature."[130] Finally, as noted above, the GOC did not provide a list of industries in China that directly purchase HRS or the amounts pertaining to this. The GOC stated that it does not collect official data regarding the industries that consume the HRS directly.[131] Further, the GOC did not indicate that it made any efforts to coordinate with others or obtain this information.

We preliminarily determine that the GOC's refusal to provide the information requested constitutes a lack of cooperation. The GOC has previously provided, and Commerce has verified, information from other GOC-maintained databases concerning the value and volume of

[127] *See* Initial Questionnaire at "Questions Regarding the Hot-Rolled Steel Industry."
[128] *See* GOC Initial IQR at 39-44.
[129] *Id.* at exhibit HRS-7.
[130] *Id.* at 45.
[131] *Id.* at 49.

production by enterprises producing input products.[132] Moreover, Commerce has verified the operation of the GOC's "Enterprise Credit Information Publicity System," which requires that the administrative authorities release detailed information of enterprises and other entities and which is intended to bring clarity to companies registered in China.[133] Based on this experience, we are aware that this system is a national-level internal portal that holds certain information regarding any China-registered company. Among other information, each company must upload its annual report, make public whether it is still operating, and update any changes in ownership. The GOC has stated that all companies operating within China maintain a profile in the system, regardless of whether they are private or an SOE. Therefore, we determine that information related to the operation and ownership of companies within the HRS industry are in fact available to the GOC.

Additionally, in response to our request for a discussion of the laws, plans or policies that may be in place to address the pricing, levels of production, importation or exportation, and the development of HRS, the GOC stated that "it was unable to address this question because the hot-rolled steel industry is very large, diversified and dynamic in nature."[134] However, the GOC did not provide any information or documentation to support this assertion.

Because the GOC refused to provide the requested information regarding the HRS industry in China, *i.e.*, information regarding the total 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, we determine that the GOC withheld necessary information with regard to the Chinese hot-rolled industry and market for the POI and, therefore, must rely on facts otherwise available. Further, because the GOC refused to meaningfully respond to our information on laws, plans, policies specific to pricing, production, cross-border trades, and development capacity of HRS, we find that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information necessary for our analysis of the HRS market in China, despite the fact that it was able to provide similar information in another proceeding. Consequently, we find that an adverse inference is warranted in the application of facts available.[135] Accordingly, as adverse facts available, we preliminarily determine that the GOC's involvement in the HRS market in China results in significant distortion of the prices of hot-rolled steel industry such that they cannot be used as a tier one benchmark, and hence, the use of an external benchmark, as described under 19 CFR 351.511(a)(2)(ii), is warranted to calculate the benefit for the provision of HRS for LTAR.

[132] *See, e.g.*, Citric Acid from China; 2013 Review
[133] *See Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 81 FR 46643 (July 18, 2016) and accompanying Preliminary Decision Memorandum at 21-22 (unchanged in Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part, 82 FR 9714 (February 8, 2017).
[134] *See* GOC IQR at 45.
[135] *See* section 776(b) of the Act

D. Application of AFA: Provision of Electricity for LTAR

Government of China

The GOC did not provide complete responses to Commerce's questions regarding the alleged provision of electricity for LTAR. These questions requested information needed 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 order for Commerce to analyze the financial contribution and specificity of this program, we requested that the GOC provide information regarding the roles of provinces, the National Development and Reform Commission (NDRC), and cooperation between the provinces and the NDRC in electricity price adjustments. Specifically, Commerce requested, *inter alia*: Provincial Price Proposals for each province in which mandatory respondents or any company "cross-owned" with those respondents is located for applicable tariff schedules that were in effect during the POI; all original NDRC Electricity Price Adjustment Notice(s) that were in effect during the POI; the procedure for adjusting retail electricity tariffs and the role of the NDRC and the provincial governments in this process; the price adjustment conferences that took place between the NDRC and the provinces, grids and power companies with respect to the creation of all tariff schedules that were applicable to the POI; the cost elements and adjustments that were discussed between the provinces and the NDRC in the price adjustment conferences; and how the NDRC determines that the provincial level price bureaus have accurately reported all relevant cost elements in their price proposals with respect to generation, transmission and distribution. Commerce requested this information in order to determine the process by which electricity prices and price adjustments are derived, to identify entities that manage and impact price adjustment processes, and to examine cost elements included in the derivation of electricity prices in effect throughout China during the POI.

In its initial questionnaire response, the GOC stated that "the electricity price in China is based on purely market mechanisms and reflects the market supply and demand, and as a consequence, the Department should not keep an outdated view of the Chinese electricity market and the pricing system."[136] Specifically, as of the issuance of the "NDRC Notification on Lowering the On-Grid Price of Coal-Fired Electricity and Electricity for Industrial and Commercial-Use {2015 No. 748}," and "NDRC Notification on Lowering the On-Grid Price of Coal-Fired Electricity and Electricity for General Industrial and Commercial-Use {2015 No. 3015}," the NDRC no longer reviews, *i.e.*, approves, electricity pricing schedules submitted to it by the provinces.[137] Therefore, according to the GOC, Provincial Price Proposals no longer exist and did not exist during the POI. Furthermore, the GOC also stated that, as a result of Notice 748, provincial price departments develop and establish grid and electricity sales prices.[138] Consequently,

[136] *See* GOC Initial QR at 61.
[137] *Id.* and Exhibit ELEC-1.
[138] *Id.*

according to the GOC, the NDRC no longer has any impact on prices, which are set autonomously at the provincial level.

Notice 748 is based upon consultations between the NDRC and the National Energy Administration.[139] Article 1 contained therein stipulates a lowering of the on-grid sales price of coal-fired electricity by an average amount per kilowatt hour.[140] Annex 1 of Notice 748 indicates that this average price adjustment applies to all provinces and at varying amounts. Article 2 indicates that the "price space" formed due to this price reduction "{s}hall be mainly used to lower the sales price of electricity for industrial and commercial use."[141] Articles 3 and 4 specifically direct the reduction of the sales price of industrial and commercial electricity.[142] Articles 6 and 7, respectively, indicate that provincial pricing authorities "{s}hall make and distribute the on-grid price of electricity and specific plans of the price adjustment in accordance with the average standard of price adjustment in Annex 1 and submit filings to the National Development and Reform Commission," and that the "{a}forementioned electricity price adjustment shall be enforced since April 20th, 2015."[143] Lastly, Article 10 directs that, "Administrative departments at all levels in charge of pricing shall guarantee the implementation of the price adjustment."[144]

NDRC Notice 3015, also based upon consultations between the NDRC and the National Energy Administration, directs additional price reductions, and stipulations at Articles II and X, that local price authorities shall implement in time the price reductions included in its Annex and report resulting prices to NDRC.[145] Consequently, both Notice 748 and Notice 3015 explicitly direct provinces to reduce prices and to report the enactment of those changes to the NDRC. Neither Notice 748 nor Notice 3015 explicitly stipulates that relevant provisional pricing authorities determine and issue electricity prices within their own jurisdictions, as the GOC states to be the case.[146] Instead, both notices indicate that the NDRC continues to play a seminal role in setting and adjusting electricity prices, by mandating average price adjustment targets with which the provinces are obligated to comply in setting their own specific prices.[147]

With respect to price derivation at the provincial level, Commerce requested information regarding the procedure for adjusting retail electricity tariffs and the role of the NDRC and the provincial governments in this process. Specifically, Commerce asked how increases in cost elements led to retail price increases, the derivations of those cost increases, how cost increases were calculated, and how cost increases impacted final prices. The GOC stated that the "NDRC takes the role as a check and balancing mechanism, while the provincial governments conduct a leading role. In addition, the provincial governments' roles in setting electricity prices are

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[139] *See* GOC Initial QR, at Exhibit ELEC-1.
[140] *Id.*
[141] *Id.*
[142] *Id.*
[143] *Id.*
[144] *Id.*
[145] *Id.*
[146] *Id.*
[147] *See, e.g.*, Notice 748 Article 10 and Notice 3015 Articles II and X.

getting more independent and dynamic."[148] Furthermore, after the provincial authorities make specific calculations based on the principles set by the NDRC, the "NDRC delegates its authority to prepare and publish the schedules of electricity tariff rates for their own jurisdictions under the Notices published and enforced by the NDRC to the provincial government agencies respectively under the law of electrical power (Art. 40)."[149] In reference to a specific electricity price adjustment that took place since mid-2016, the GOC stated that "provinces gained more independence to be able to adjust their electricity sell price, adjust the electricity price at different times during 2016, and adjust the price of different electricity pricing categories or in a different range. The adjusted electricity tariff schedules were approved by the government of each province and submitted to the NDRC for review."[150] However, the GOC failed to explain, in detail, how the pricing values indicated in the Appendix were derived, including the specific factors or information relied upon by the NDRC.

Commerce additionally requested that the GOC explain, for each province in which a respondent or cross-owned company is located, how increases in labor costs, capital expenses, and transmission and distribution costs are factored into Price Proposals, and how cost element increases and final price increases were allocated across the province and across tariff end-user categories. The GOC failed to provide a complete response to this request. The GOC reiterated that "with regard to adjustments that took place in 2016 and 2017, no Price Proposals were involved. Therefore, the question relating to the proposal is not applicable."[151]

As explained above, the GOC failed to fully explain the roles and nature of the cooperation between the NDRC and provinces in deriving electricity price adjustments. The information provided by the GOC indicates that despite its claim that the responsibility for setting prices within each province has moved from the NDRC to the provincial governments, the NDRC continues to play a major role in setting and adjusting prices. Furthermore, the GOC failed to explain both the derivation of price reductions directed to the provinces by the NDRC and the derivation of prices by the provinces themselves. Consequently, we preliminarily determine that the GOC withheld information that was requested of it for our analysis of financial contribution and specificity and, thus, Commerce must rely on "facts available" in making our preliminary determination.[152] Moreover, pursuant to 776(b) of the Act, 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. We also note that the GOC did not ask for additional time to gather and provide such information. Consequently, an adverse inference is warranted in the application of facts available.[153] In drawing an adverse inference, we 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. The GOC failed to provide certain requested information regarding the relationship (if any) between provincial tariff schedules and cost, as well as requested information regarding cooperation (if any) in price setting practices between the NDRC and provincial governments. Therefore, we are also drawing an adverse

[148] *See* GOC IQR at Exhibit ELEC-1.
[149] *Id.* at Exhibit ELEC-1 and ELEC-10.
[150] *Id.* at Exhibit ELEC-11.
[151] *Id.*
[152] *See* section 776(a)(2)(A) of the Act.
[153] *See* section 776(b) of the Act.

inference in selecting the benchmark for determining the existence and amount of the benefit.[154] The benchmark rates were selected from the record of this investigation and are the highest electricity rates on the record for the applicable rate and user categories. For details regarding the remainder of our analysis, *see* "Provision of Electricity for LTAR" section.

E. Application of AFA: Government Provision of Land for LTAR

The GOC did not provide complete responses to Commerce's questions regarding the alleged government provision of land for LTAR. These questions requested information needed to determine whether the provision of land was specific within the meaning of section 771(5A) of the Act.[155] In order to analyze the program, the initial questionnaire asked the GOC to provide all government laws or regulations (at all levels of government) pertaining to the provision of land or land-use rights. In response the GOC provided the Land Administration Law of the People's Republic of China, and the Urban Real Estate Administration Law of the People's Republic of China, and the Regulation on Implementation of the Land Administration Law of the People's Republic of China.[156] The GOC's response did not provide any government laws or regulations, pertaining to the provision of land or land-use rights at the provincial level with respect to the Fujian province where Xiamen Sunrise is located.[157] While responding to the initial questionnaire with respect to Xiamen Sunrise's cross-owned company Sichuan Sunrise, the GOC did not provide any land laws or regulations for Sichuan Province stating that as the parcels of land at issue were purchased in auctions, "there are no government laws or regulations pertaining to the provision of land or land-use rights to provide."[158]

Separately, in response to the Government Policy Lending Program, the GOC submitted the FYPs for the 10th, 11th, 12th, and 13th FYPs for Economic and Social Development of Fujian Province,[159] and the FYPs for the 10th, 11th, 12th, and 13th National Economic and Social Development of Sichuan Province.[160] However, the translations for these FYPs were inadequate for an analysis of the Land for LTAR program. We therefore requested translations for the Fujian plans from the GOC in a supplemental questionnaire.[161] In response, the GOC stated that it "does not have the resources available at this time to fully translate the nearly three-hundred pages of three-year *{sic.}* plans it provided."[162] Thus, the GOC failed to provide adequate translations of the Fujian FYPs as requested by Commerce. We intend to follow-up with the GOC with respect to the translations for the Sichuan FYPs after the preliminary determination.

As noted above, our initial questionnaire asked the GOC to provide all government laws or regulations (at all levels of government) pertaining to the provision of land or land-use rights.

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[154] *See* section 776(b)(4) of the Act.
[155] *See* Initial Questionnaire at Section II "Provision of Land-Use Rights to Steel Wheel Producers for LTAR."
[156] *See* GOC Initial QR at 57 and Exhibits LAND-2, LAND-3 and LAND-4.
[157] *Id.*
[158] *See* GOC Sichuan QR at 43.
[159] *See* GOC Initial QR at 18 and Exhibit LOAN-7.
[160] *See* GOC Sichuan QR at 14 and GEN-5.
[161] We note that the initial questionnaire requires translations of pertinent portions of non-English documents that accompany a response in accordance with 19 CFR 351.303(d). *See* Initial Questionnaire at "Instructions for Filing the Response."
[162] *Id.*

Without adequate translations we are unable to analyze the Fujian Province and Sichuan Province FYPs that would govern land transactions where Xiamen Sunrise is located. Moreover, without any provincial land laws or regulations, we are unable to fully analyze the land purchases and land-use rights at issue. Therefore, pursuant to 776(a) of the Act, we have resorted to facts available because necessary information is not on the record.

Moreover, pursuant to 776(b) of the Act, we preliminarily determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our requests for information. As part of our determination with respect to specificity pursuant to section 771(5A) of the Act, we are therefore relying on AFA to find that the Fujian and Sichuan FYP's mirror the national FYP's identification of land supply and financing as policy tools for economic development of encouraged industries like steel wheels.

F. Application of AFA: Grants for Export Credit Insurance

The GOC did not provide complete responses to Commerce's questions regarding the alleged grants for export credit insurance. These questions requested information needed to analyze the program and determine whether the grants were specific within the meaning of section 771(5A)(B) of the Act. Commerce's questionnaire requested that the GOC respond to all questions in the standard questions appendix, the allocation appendix, and the grant appendix.[163] The GOC did not complete the appendices or provide any information as to how the program operates beyond stating that Xiamen Sunrise received four sums of grants under this program in 2017 at the municipal or district level.[164] In a supplemental questionnaire, we again sought information on the program by asking the GOC to complete the relevant appendices. The GOC responded, "Since this supplemental questionnaire requires the GOC to submit a response on August 14, 2018, the GOC could not obtain feedback from government authorities in such short time. For detailed information, please refer to Xiamen Sunrise's response."[165]

The GOC was provided two opportunities to submit the information but failed. Absent information from the GOC, Commerce must rely on "facts available" in making our preliminary determination. Moreover, pursuant to 776(b) of the Act, 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. In drawing an adverse inference, we find that the export credit insurance grants to be program to be contingent upon export performance, and thus specific under section 771(5A)(B) of the Act.

G. Application of AFA: Foreign Trade Development Fund Program Grants

In the initial questionnaire we requested that the GOC complete the standard questions appendix, allocation appendix, and the grant appendix with respect grants received under the foreign trade development fund program. The GOC did not complete any of the appendices or provide any

[163] *See* Initial Questionnaire at II.A. Grant Programs.
[164] *See* GOC Initial QR at 5.
[165] *See* GOC SQR Part 1 at 10.

other information as to how the program operates beyond stating that Xiamen Sunrise received a one-time grant under this program during the POI.[166] In a supplemental questionnaire we again sought information on the program by asking the GOC to complete the relevant appendices. The GOC responded, "Since this supplemental questionnaire requires the GOC to submit a response on August 14, 2018, the GOC could not obtain feedback from government authorities in such short time. Commerce did not grant the GOC's request for an extension of time for this supplemental. For detailed information, please refer to Xiamen Sunrise's response."[167] Therefore, pursuant to 776(a) of the, we have resorted to facts available because necessary information is not on the record.

The GOC was provided two opportunities to submit the information but failed. Absent information from the GOC, Commerce must rely on "facts available" in making our preliminary determination. Further, pursuant to 776(b) of the Act, 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. In drawing an adverse inference, we find that grants provided under the foreign trade development program to be contingent upon export performance, and thus specific under section 771(5A)(B) of the Act.

H. Application of AFA: Direct Government Grants to Xiamen Sunrise

Xiamen Sunrise reported that it had received direct government grants during the POI and AUL period in its initial questionnaire response.[168] As part of the Initial Questionnaire, we also requested the GOC to provide information regarding direct government grants received by Xiamen Sunrise. The GOC responded that Xiamen Sunrise or its cross-owned affiliates may have received some direct government grants during the POI or AUL period and, for more information we should refer to Xiamen Sunrise's questionnaire response.[169] In a supplemental questionnaire we again asked the GOC to complete the appropriate questions and appropriate appendices with respect to these grants. The GOC responded that there was no such program, the grants received were very small and could not be traced. Therefore, the GOC added, that despite its best efforts it cannot discover additional information about these grants beyond the information already provided to Commerce.[170]

Because the GOC did not provide the requested information, we are unable to analyze these grants. Consequently, we preliminarily determine that the GOC withheld information that was requested of it and, thus, pursuant to 776(a) of the Act, Commerce must rely on "facts available" in making our preliminary determination.[171] Moreover, pursuant to 776(b) of the Act, 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

[166] *See* GOC IQR at 6.
[167] *See* GOC SQR Part 1 at 10.
[168] *See* Xiamen Sunrise Initial QR at 25.
[169] *See* GOC Initial QR at 12.
[170] *See* GOC SQR Part 1 at 11.
[171] *See* section 776(a)(2)(A) of the Act.

application of facts available.[172] In drawing an adverse inference, we preliminarily find that these grants to Xiamen Sunrise constitute a financial contribution within the meaning of section 771(5)(D)(i) of the Act, and find these grants are specific. Consistent with prior cases, we will use the grant amounts reported by Xiamen Sunrise to determine if benefits exist for each grant.[173]

XII. Analysis of Programs

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

A. Programs Preliminarily Determined to Be Countervailable

1. Export Buyer's Credit

For the reasons explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, our preliminary determination regarding the GOC's provision of export buyer's credit is based on AFA. As AFA, we determine that the GOC's provision of export buyer's credit confers a financial contribution and is specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively. Furthermore, we determine on the basis of AFA that Xiamen Sunrise benefitted from this program during the POI within the meaning of section 771(5)(E) of the Act. Consistent with Commerce's AFA rate selection methodology, we determine a countervailable subsidy rate of 10.54 percent *ad valorem* for Xiamen Sunrise, a rate calculated for the same or similar program in another CVD proceeding involving imports from China.[174]

2. Government Provision of Hot-Rolled Steel Inputs for LTAR

Financial Contribution

Commerce is examining whether the GOC or other "authorities" within China provided Xiamen Sunrise with HRS for LTAR. Xiamen Sunrise reported that it purchased hot-rolled steel during the POI and identified the producers of the hot-rolled steel from whom it purchased during the POI.[175]

The GOC reported that certain of these producers of HRS are majority-owned by the government. As such, we find that the GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources,

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[172] *See* section 776(b) of the Act.
[173] *See Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 77 FR 63788 (October 17, 2012) (*Solar Cells from China*), and accompanying Issues and Decision Memorandum (Solar Cells IDM) at Comment 23.
[174] *See Coated Paper from China Investigation Amended Final*, 75 FR at 70202 (identifying a revised ad valorem subsidy rate of 10.54 percent under "Preferential Lending to the Coated Paper Industry.")
[175] *See* Xiamen Sunrise Initial QR at Exhibit CVD-25.

and maintaining the predominant role of the state sector.[176] Therefore, we preliminarily determine that these entities constitute "authorities" within the meaning of section 771(5)(B) of the Act and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act. With respect to the remaining producers of HRS from whom Xiamen Sunrise reported purchases of HRS during the POI, the GOC failed to provide complete information. As discussed above under "Use of Facts Otherwise Available and Adverse Inferences," we find that the GOC's refusal to provide certain information regarding these producers warrants the use of AFA. As AFA, we find that these producers are "authorities" within the meaning of section 771(5)(B) of the Act and that the respondents received financial contributions from them in the form of a provision of a good pursuant to section 771(5)(D)(iii) of the Act.

Specificity

Additionally, as explained in the "Use of Facts Otherwise Available and Adverse Inferences" section of this memorandum, we preliminarily determine that the GOC is providing HRS inputs to a limited number of industries and enterprises, and, therefore, the subsidies under this program are specific pursuant to section 771(5A)(D)(iii)(I) of the Act.

Benefit

In order to determine the existence and amount of any benefit conferred by the producers to the respondent companies pursuant to section 771(5)(E)(iv) of the Act, we followed the methodology described in 19 CFR 351.511(a)(2) to identify a suitable benchmark for HRS. Commerce's regulations at 19 CFR 351.511(a)(2) set forth the basis for identifying appropriate market determined benchmarks for measuring the adequacy of remuneration for government-provided goods or services. The potential benchmarks listed in the regulation, in order of preference are: (1) market prices from actual transactions within the country under investigation for the government-provided good (*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) prices consistent with market principles based on an assessment by Commerce of the government-set price (tier three).

As discussed above in the section "Use of Facts Otherwise Available and Adverse Inferences," we preliminarily determine, on the basis AFA, that the Chinese market for HRS is distorted such that market prices from actual transactions within the country under investigation for HRS are not appropriate for use as tier-one benchmarks. Therefore, we are turning to "tier two" world market prices available to purchasers in China, consistent with 19 CFR 351.511(a)(2)(ii) and the

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[176] *See* Memorandum to Paul Piquado, Assistant Secretary, Import Administration, from Shauna Biby, Christopher Cassel and Timothy Hruby, Office of Policy, Import Administration, "The relevance of the Communist Party for the limited purposes of determining whether particular enterprises should be considered "public" bodies within the context of a countervailing duty investigation," dated May 18, 2012 and Memorandum to Paul Piquado, Assistant Secretary, Import Administration, from Shauna Biby, Chris Cassel, and Timothy Hruby, Office of Policy, Import Administration,, "Section 129 Determination of the Countervailing Duty Investigation of Circular Welded Carbon Quality Steel Pipe; Light-Walled Rectangular Pipe and Tube; Laminated Woven Sacks; and Off-The-Road Tires from the People's Republic of China: An Analysis of Public Bodies in the People's Republic of China in Accordance With the WTO Appellate Body's Findings in WTO DS379," dated May 18, 2012.

Preamble. As discussed above in the section "Benchmarks," we are relying on MEPS (International) Ltd. prices as the benchmark for Xiamen Sunrise's purchases of HRS.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under "tier two," Commerce 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, to derive the benchmark prices, we included ocean freight and inland freight that would be incurred to deliver inputs to the respondents' production facilities. With respect to ocean freight expenses, we relied on ocean freight data sourced from Maersk Line for 2017. Regarding inland freight, import duties and VAT we have used information submitted by the petitioners in the Petition. We then added to the benchmark prices the appropriate import duties applicable to imports of HRS into China, as provided in the Petition.[177] Additionally, we added the appropriate VAT of 17 percent to benchmark prices.

We compared these monthly benchmark prices to Xiamen Sunrise's purchase prices for individual transactions, including VAT and delivery charges. Based on this comparison, we preliminarily determine that a benefit exists for Xiamen Sunrise in the amount of the difference between the benchmark prices and the prices Xiamen Sunrise paid. We divided the total benefits by the appropriate consolidated sales denominator, as discussed in the "Subsidies Valuation Information" section.

For the reasons discussed above, we have calculated a subsidy rate of 30.47 percent *ad valorem* for Xiamen Sunrise for the provision of HRS for LTAR.[178]

3. Government Provision of Electricity for LTAR

For the reasons explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we are basing our preliminary determination regarding the GOC's provision of electricity for LTAR on facts otherwise available. Therefore, we preliminarily determine that the GOC's provision of electricity confers a financial contribution as a provision of a good under section 771(5)(D)(iii) of the Act and is specific under section 771(5A)(D) of the Act.

In order to determine the existence and amount of any benefit under this program, we selected the highest non-seasonal provincial rates in China for each electricity category (*e.g.*, "large industry," and "general industry and commerce") and "base charge" (either maximum demand or transformer capacity) used by the respondent. Additionally, where applicable, we identified and applied the peak, normal, and valley rates within a category.

Consistent with our approach in *Wind Towers from China*, we first calculated the respondents' variable electricity costs by multiplying the monthly kilowatt hours (kWh) consumed at each

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[177] *See* Petition Exhibit III-100. Consistent with *Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2011*, 79 FR 108 (January 2, 2014) (*Citric Acid from China; 2011 Review*), we have utilized the Most Favored Nation import duty rate because it reflects the general tariff rate applicable to world trade. *See Citric Acid from China; 2011 Review* IDM at 90.
[178] *See* Xiamen Sunrise Preliminary Calculation Memorandum, at Attachment II.

price category (*e.g.*, peak, normal, and valley, where applicable) by the corresponding electricity rates paid by the respondent during each month of the POI.[179] Next, we calculated the benchmark variable electricity costs by multiplying the monthly kWh consumed at each price category by the highest electricity rate charged at each price category. To calculate the benefit for each month, we subtracted the variable electricity costs paid by the respondent during the POI from the monthly benchmark variable electricity costs.

To measure whether Xiamen Sunrise received a benefit with regard to its base rate (*i.e.*, either maximum demand or transformer capacity charge), we first multiplied the monthly base rate charged to Xiamen Sunrise by the corresponding quantity. Next, we calculated the benchmark base rate cost by multiplying Xiamen Sunrise's consumption quantities by the highest maximum demand or transformer capacity rate. To calculate the benefit, we subtracted the maximum demand or transformer capacity costs paid by the companies during the POI from the benchmark base rate costs. We then calculated the total benefit received during the POI under this program by summing the benefits stemming from Xiamen Sunrise's variable electricity payments and base rate payments.[180]

To calculate the net subsidy rates attributable to Xiamen Sunrise, we divided the benefit by the appropriate sales denominators, as described in the "Subsidies Valuation" section above. On this basis, we preliminarily determine that Xiamen Sunrise received a net countervailable subsidy rate of 1.34 percent *ad valorem*.

4. <u>Government Provision of Land for LTAR</u>

Commerce is examining whether the GOC has encouraged the development of the steel wheel industry through the provision of land at less than adequate remuneration. Xiamen Sunrise reported purchasing land and land-use rights in industrial zones in the Fujian Province and the Sichuan Province during the POI and AUL period.[181] The GOC further identified that Xiamen Sunrise obtained land-use rights in the Tongan Industrial Zone through the Fujian Bureau of Land Resources and Real Estate,[182] and that Sichuan Sunrise obtained land in the Industrial Cluster Zone through the Nanchong Bureau of Land Resources and Real Estate.[183]

In examining this program, Commerce looks to whether government plans or other policy directives lay out objectives or goals for developing the industry and call for preferential land pricing to support such objectives or goals. The GOC's national five-year plans identify the provision of land and land financing as policy tools to direct economic development for key objectives. For example, the national 13th FYP discusses an emphasis on strengthening basic capabilities of manufacturing and the promotion of spending on automobiles. The development of the automobile parts industry is mentioned in the Catalogue of Major Industries, Products, and Technologies Encouraged for Development in China (Encouraged Industries Catalogue).[184] The

[179] *See Wind Towers from China* IDM at 21-22.
[180] *See* Xiamen Sunrise Preliminary Calculation Memorandum.
[181] *See* Xiamen Sunrise Initial QR at 57 and Exhibit CVD-27.
[182] *See* GOC Initial QR at 56.
[183] See GOC Sichuan QR at 42.
[184] *See* GOC Initial QR at Exhibit LOAN-11.

Directory Catalogue on Readjustment of Industrial Structure (Guidance Catalogue) specifically identifies high strength steel wheels as a key component of an automobile, [185] and is consistent with the GOC's Decision 40[186] regarding support for such industries through land policies. Finally, the *Catalogue of Encouraged Industries in Western China* issued in 2014 included high-strength steel wheels as an encouraged industry in the Sichuan Province.[187]

The 12th FYP similarly identifies land management policies as development tools, referencing the importance of the Guidance Catalogue's encouraged industries alongside implementing differential land management policy: "Modify and perfect the current industrial guidance catalogue, clarify the encouraged, limited and prohibited industrial for different principle function areas. Implement the differential land management policy, scientifically set the different land using scale, and carry out strict land use control."[188]

The 11th FYP instructs strengthened support for industrial policy, especially for high tech industries, alongside strengthened cooperation of land policies: "Strengthen and improve industrial policy work, reinforce the unified planning for domestic industry development and for investment introduction, strengthen the cooperation of the policies in credit, land, environmental protection, safety and science and technology with the industrial policy and use economic means to promote the development of industries. Strengthen the support for the weak links of high tech industries and equipment manufacturing industry, mainly support research and development and foster core competitive power."[189] It further calls for giving development priority to the high technology industry and intensive processing by enhancing the efficiency of land resources and the functions of special economic zones.[190]

As discussed above in the "Use of Facts Otherwise Available and Adverse Inferences" section, we sought information from the GOC, including laws and regulations of the relevant provincial governments pertaining to land and land-use rights, however, the GOC did not provide such information. Further, the GOC did not provide adequate translations for the Fujian Province and Sichuan Province FYPs. Therefore, as AFA, we find the provincial FYPs mirror the national FYPs identification of land supply and financing as policy tools for economic development of encouraged industries. We note this finding is consistent with Commerce findings on the contents of other provincial plans.[191]

The GOC has identified the automobile industry for priority development in the Guidance Catalogue, which includes high-strength steel wheels, and the development of production technology within it, as encouraged.[192] Decision 40 identifies the Catalogue for the Guidance of Industrial Structure Adjustment as "the important basis for guiding investment directions, and for

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[185] *Id.* at Exhibit LOAN-8.
[186] *See* Decision of the State Council on Promulgating the Interim Provisions Promoting Industrial Structure Adjustment for Implementation (2005) (Decision 40) at GOC Initial QR Exhibit LOAN-10.
[187] *See* GOC Sichuan QR at 22 and Exhibits TAX-8 and TAX-9.
[188] *See* GOC Initial QR at Exhibit LOAN-6.
[189] *Id*.
[190] *Id.*
[191] *See Aluminum Sheet from China* and accompanying Preliminary Decision Memorandum at 54.
[192] *See* GOC Initial QR at 18 and Exhibit LOAN-8.

governments to administer investment projects, to formulate and enforce policies on public finance, taxation, credit, land, import and export, etc."[193] Decision 40 also directs all local, provincial, and municipal governments under the Central Government's control to cooperate closely and intensify the effectiveness of implementing industrial policies, and instructs that the relevant provisions of the state will apply to other preferential policies on encouraged industry projects. Further, as noted above, the *Catalogue of Encouraged Industries in Western China* issued in 2014 included high-strength steel wheels as an encouraged industry in the Sichuan Province.[194]

As detailed above, national-level development plans provide for priority land supply and financing arrangements for priority development projects. Additionally, as AFA, we are reaching a determination that the relevant provincial level development plans mirror the national plans in this respect. National and provincial documents discussed above also consistently identify the automobile industry and high-technology industries as targets for economic development. As noted previously, the Xiamen Sunrise and Sichuan Sunrise are located in industrial zones. Thus, based on record information, we find that the GOC's use of preferential pricing policies to develop the automobile sector, and, as AFA, provincial policies mirror the national plan. Therefore, we preliminarily determine there is a program to provide land for LTAR to producers of steel wheels within the meaning of section 771(5A)(D)(i) of the Act. Because the Chinese government owns all land in China, we preliminarily determine that the entities that provided the land to the respondents are "authorities" within the meaning of section 771(5)(B) of the Act, and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act. Given the total government ownership of the land market, we preliminarily determine that the domestic market for land was distorted through the Government of China's ownership.

To determine the benefit pursuant to section 771(5)(E)(iv) of the Act, we first multiplied the Thailand industrial land benchmarks discussed above under the "Benchmarks and Discount Rates" section, by the total area of the aforementioned companies' land. We then subtracted the net price actually paid for the land to derive the total unallocated benefit. We next conducted the "0.5 percent test" of 19 CFR 351.524(b)(2) for the year(s) of the relevant land-rights agreement by dividing the total benefit for the respective year(s) by the relevant sales. For those benefits that pass the 0.5 percent test, we allocated the total benefit amounts across the terms of the land use agreement, using the standard allocation formula of 19 CFR 351.524(d), and determined the amount attributable to the POI. We then divided this amount by the appropriate total sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determine subsidy rate for Xiamen Sunrise to be 1.80 percent *ad valorem*.

[193] *See* GOC Initial QR at Exhibit LOAN-10, Chapter III.
[194] *See* GOC Sichuan QR at 22 and Exhibits TAX-8 and TAX-9.

5. **Export Seller's Credit**

The Export-Import Bank of China (China ExIm Bank) provides support to exporters through a variety of means, including the export seller's credit.[195] The Export Seller's Credit program provides loans to Chinese companies to finance its export of manufactured vessels, equipment, general mechanical and electronic products, and high and new-technology as well as agricultural products.[196] According to the GOC, the China ExIm Bank "conducts independent evaluation pursuant to internal rules and makes its decision on whether to provide export sellers' credit to a company."[197]

Xiamen Sunrise reported having outstanding loans from the China ExIm Bank during the POI, which were provided under this program. We find that the loans provided by the China ExIm Bank under this program constitute financial contributions under sections 771(5)(B)(i) and 771(5)(D)(i) of the Act. The loans also provide a benefit under section 771(5)(E)(ii) of the Act in the amount of the difference between the amounts the recipient paid and would have paid on comparable commercial loans. Finally, the receipt of loans under this program is tied to actual or anticipated exportation or export earnings, and, therefore, this program is specific under to sections 771(5A)(A)-(B) of the Act.

To calculate the benefit under this program, we compared the amount of interest Xiamen Sunrise paid on the outstanding loans to the amount of interest the company would have paid on comparable commercial loans. In conducting this comparison, we used the interest rates described in the "Benchmarks" section above. We divided the total benefit amount by the Xiamen Sunrise's export sales during the POI. On this basis, we preliminarily determine a subsidy rate of 12.95 percent *ad valorem* for Xiamen Sunrise.[198]

6. **Grants for Export Credit Insurance**

Xiamen Sunrise reported that it received benefits under this program during the POI. According to Xiamen Sunrise, to receive benefits under this program, companies a) assured their exports with the insurance company and paid insurance premiums; and b) did not violate any laws or regulations.[199] The GOC did not provide any information as to how the program operates beyond stating that Xiamen Sunrise received four sums of grants under this program in 2017 at the municipal or district level.[200]

As discussed above in the "Use of Facts Otherwise Available and Adverse Inferences" section, the GOC did not provide the required information. Absent information from the GOC, as AFA, we find export credit insurance grants to be specific because they are contingent upon export performance under section 771(5A)(B) of the Act. We determine that the grants provided constitute a financial contribution in the form of a direct transfer of funds pursuant to section

[195] *See* CVD Initiation Checklist, at 14.
[196] *See* GOC Initial QR at 23 and Exhibit LOAN-13, and SQR Part 1 at 11-12.
[197] *See* GOC Initial QR, Exhibit LOAN-13 at 4.
[198] *See* Xiamen Sunrise Preliminary Calculation Memo at Attachment II.
[199] *See* Xiamen Sunrise Initial QR at 13.
[200] *See* GOC Initial QR at 5.

771(5)(D)(i) of the Act and confer a benefit in the amount of the funds provided under 19 CFR 351.504.

To calculate the benefit under this program, we divided the benefit received by total export sales. We find that Xiamen Sunrise received a countervailable subsidy of 0.74 percent *ad valorem* during the POI.

7. <u>Foreign Trade Development Fund Program Grants</u>

Xiamen Sunrise reported that it received benefits under this program during the POI. According to Xiamen Sunrise, to receive benefits a) the company should be a business corporation registered in Xiamen City, and its 2016 annual import and export value did not exceed 65 million USD; b) the company has no violations with the law and regulations in the last three years during its foreign trade practice; c) the company has employees in charge of international market exploration; and d) the company has no unpaid obligations of taxes and government charges.[201] The GOC did not provide any information as to how the program operates beyond stating that Xiamen Sunrise received a one-time grant under this program during the POI.[202] In a supplemental questionnaire we again sought information on the program by asking the GOC to complete the relevant appendices. The GOC responded "Since this supplemental questionnaire requires the GOC to submit a response on August 14, 2018, the GOC could not obtain feedback from government authorities in such short time. Commerce did not grant the GOC's request for an extension of time for this supplemental. For detailed information, please refer to Xiamen Sunrise's response."[203]

As discussed above in the "Use of Facts Otherwise Available and Adverse Inferences" section, the GOC did not provide the necessary information. As AFA we therefore find foreign trade development grants to be specific because they are contingent upon export performance under section 771(5A)(B) of the Act. We determine that the grants provided constitute a financial contribution in the form of a direct transfer of funds pursuant to section 771(5)(D)(i) of the Act and confer a benefit in the amount of the funds provided under 19 CFR 351.504. To calculate the benefit under this program, we divided the benefit received by total export sales. We find that Xiamen Sunrise received a countervailable subsidy of 0.04 percent *ad valorem* during the POI.

8. <u>Enterprises Income Tax Law, R&D Program</u>

Under Article 30.1 of the Enterprise Income Tax Law (EITL), which became effective January 1, 2008, companies may deduct R&D expenses incurred in the development of new technologies, products, or processes from their taxable income.[204] Article 95 of the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (Decree 512 of the State Council, 2007) provides that, if eligible research expenditures do not "form part of the intangible assets

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[201] *See* Xiamen Sunrise Initial QR at 18.
[202] *See* GOC IQR at 6.
[203] *See* GOC SQR Part 1 at 10.
[204] *See* GOC Initial QR at 29.

value," an additional 50 percent deduction from taxable income may be taken on top of the actual accrual amount.[205] Where these expenditures form the value of certain intangible assets, the expenditures may be amortized based on 150 percent of the intangible assets costs.[206]

We preliminarily determine that this program constitutes a countervailable subsidy. This income tax deduction is a financial contribution in the form of revenue foregone by the government, and it provides a benefit to the recipients in the amount of the tax savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also find that the income tax deduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.*, those with R&D in eligible high-technology sectors and, thus, is specific under section 771(5A)(D)(i) of the Act.

Xiamen Sunrise reported using this program. To calculate the benefit from this program, we treated the tax deduction as a recurring benefit, consistent with 19 CFR 351.524(c)(1).[207] To compute the amount of the tax savings, we calculated the amount of tax Xiamen Sunrise would have paid absent the tax deductions at the standard tax rate of 25 percent (*i.e.*, 25 percent of the tax credit). We then divided the tax savings by the company's total sales. On this basis, we preliminarily determine a countervailable subsidy rate of 0.05 percent *ad valorem* for Xiamen Sunrise.

9. Preferential Tax Policies for the Development of Western-Regions of China

The GOC submits that this program became effective on January 1, 2011, "to realize the spirit of deepening the implementation of the western China development strategy of the Party Central Committee and the State Council, and to further support western China development."[208] The *Catalogue of Encouraged Industries in Western China* issued in 2014 included high-strength steel wheels as an encouraged industry.[209] Thus, Xiamen Sunrise's cross-owned producer Sunrise Sichuan benefitted from this program.

We determine the program provides a financial contribution in the form of foregone tax revenue and provides a benefit to the recipient in the amount of the tax savings.[210] The GOC reported that, under the program, the term "enterprise in an encouraged industry" refers to an enterprise whose main business falls within the scope of industry projects set out in the *Catalogue of Encouraged Industries in Western China* and whose revenue from its main business accounts for 70 percent or more of its gross income.[211] Therefore, we determine that, because only enterprises located in the Western Regions are eligible for a reduced tax rate, this program is regionally-specific pursuant to section 771(5A)(D)(iv) of the Act.

[205] *Id.*, at Exhibits TAX-2 and TAX-4.
[206] *Id.*
[207] These credits can be for either expensed or capitalized R&D expenditures. If a credit is for capitalized expenditures (*e.g.*, the expenditures were made toward developing an "intangible asset" or patent), however, the 50 percent deduction is amortized across the useful life of the developed asset. Therefore, even credits for capitalized expenditures would be allocated over tax returns filed during a number of years and would thus be recurring. *See e.g.*, *Solar Products Preliminary Determination*, and accompanying PDM at 34-35.
[208] *See* GOC Sichuan QR at 23.
[209] *Id.* at 22 and Exhibits TAX-8 and TAX-9.
[210] *See* section 771(5)(D)(ii) of the Act, section 771(5)(E) of the Act, and 19 CFR 351.509(a)(1).
[211] *See* GOC Sichuan QR at 22 and Exhibits TAX-8 and TAX-9.

To calculate the countervailable subsidy rate, we divided the benefit by a denominator comprised of the total sales of the Xiamen Sunrise cross-owned companies (which is net of intercompany sales), according to the methodology described above in the "Subsidies Valuation Information" section. On this basis, we determined that Xiamen Sunrise received a countervailable subsidy rate of 0.15 percent *ad valorem*.

10. <u>Direct Government Grants to Xiamen Sunrise</u>

Xiamen Sunrise reported that it received numerous grants from provincial and local governments that were not included in any of the programs under investigation. For grants received during the POI and AUL, we first determined whether any measurable benefits exist. We determined the reported grants as recurring or non-recurring subsidies, based on information provided by Xiamen Sunrise.[212] For non-recurring grants we applied the "0.5 percent test" to each one, individually, to determine whether each grant should be allocated to the POI. For those grants that passed the "0.5 percent test," we have allocated the amounts to the POI. In addition, grants that did not pass the 0.5 percent test, were considered as expensed in the year of receipt. To calculate the POI benefit, we divided the entire amount of each grant by the appropriate sales denominator, as described in the "Attribution of Subsidies" section. If the rate calculated for any grant was less than 0.005 percent *ad valorem*, it was determined to have no impact on the overall subsidy rate and was therefore disregarded. Using this methodology, certain reported grants were more than the 0.005 percent *ad valorem* threshold, and thus have an impact on the overall subsidy rate.

We preliminarily determine that the benefits from these grants that were greater than the 0.005 percent *ad valorem* threshold confer a countervailable subsidy. As noted above, we determine, as AFA, that the reported grants received by Xiamen Sunrise under this program constitute a financial contribution pursuant to section 771(5)(D)(i) of the Act and are specific pursuant to section 771(5A) of the Act. The grants also provide a benefit under section 771(5)(D)(i) of the Act and 19 CFR 351.504.

On this basis, we preliminarily determine a subsidy rate of 0.67 percent *ad valorem* for Xiamen Sunrise.

B. Programs Preliminarily Determined To Be Not Used or Not to Confer a Measurable Benefit

- Government Provision of Land to State-Owned Enterprises (SOEs)
- Provision of Land LTAR to FIEs
- Provision of Land-Use Rights in Industrial and Other Special Economic Zones
- Preferential Loans to State-Owned Enterprises (SOEs)
- Discounted Loans for Export-Oriented Enterprises
- Preferential Loans for Key Projects and Technologies
- Treasury Bond Loans

[212] *See* Xiamen Sunrise QR at Exhibit CVD-11.

- Loans & Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- VAT Exemptions for Imported Equipment
- VAT Refunds for FIEs on Purchases of Chinese-Made Equipment
- VAT Exemptions and Reductions for Central Regions
- VAT Exemptions and Reductions for Northern Regions
- Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
- Import Duty Exemptions for Imported Equipment
- Income Tax Reduction for High-and-New Technology Enterprises
- Famous Brands Program
- SME International Market Exploration Fund
- Export Assistance Grants
- Export Interest Subsidies for Enterprises Located in Zhejiang Province
- Special Fund for Energy-Saving Technology Reform
- The Clean Production Technology Fund
- Emission Reduction Award
- State Special Fund for Promoting Key Industries and Innovation Technologies
- State Key Technology Renovation Project Fund Program
- Initial Public Offering (IPO) Grants from the Hangzhou Prefecture
- Initial Public Offering (IPO) Grant from the City of Fuyang
- Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes
- Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers
- Hangzhou City Government Grants under the Hangzhou Excellent New Products/Technology Award
- Fuyang City Government Grants under the Export of Subcontract Services Program
- Export Contingent Grants Provided by the Fuyang City Government
- Investment Grants from Fuyang City Government for Key Industries
- Direct Government Grants to Zhejiang Jingu Company Ltd.
- Direct Government Grants to Xingmin Intelligent Transportation
- Direct Government Grants to Changchun Faway Automobile Components Co., Ltd.
- Direct Government Grants to Zhengxing Wheel Group Co., Ltd/ China Zenix Auto International Ltd.

XIII. Calculation of the All-Others Rate

Sections 703(d) and 705(c)(5)(A) of the Act state that in the preliminary determination, Commerce shall determine an estimated all-others rate for companies not individually examined. This rate shall be an amount equal to the weighted average of the estimated subsidy rates established for those companies individually examined, excluding any zero and *de minimis* rates and any rates based entirely under section 776 of the Act. In this investigation, the only rates that are not zero or *de minimis* or based entirely on the facts available is the rate calculated for Xiamen Sunrise. Consequently, we are assigning the rate calculated for Xiamen Sunrise as the “all-others” rate (*i.e.*, 58.75 percent *ad valorem*).

XIV. ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Enforcement and Compliance. In accordance with section 705(b)(2) of the Act, the ITC will make its final determination before the later of 120 days after the date of this preliminary determination or 45 days after Commerce makes its final affirmative determination.

XV. Disclosure and Public Comment

Commerce intends to disclose to interested parties the calculations performed in connection with this preliminary determination within five days of its public announcement.[213] Case briefs or other written comments for all non-scope issues may be submitted to Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) no later than seven days after the date on which the final verification report is issued in this proceeding, and rebuttal briefs, limited to issues raised in case briefs, may be submitted no later than five days after the deadline date for case briefs.[214] Case briefs or other written comments on scope issues may be submitted no later than 30 days after the publication of this preliminary determination in the *Federal Register*, and rebuttal briefs, limited to issues raised in the case briefs, maybe submitted no later than five days after the deadline for the case briefs. For any briefs filed on scope issues, parties must file separate and identical documents on each of the records for the other concurrent countervailing duty and antidumping duty investigations. Parties who submit case briefs or rebuttal briefs in this proceeding are encouraged to submit with each argument: (1) a statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities.[215] This summary should be limited to five pages total, including footnotes. Interested parties who wish to request a hearing, or to participate if one is requested, must do so in writing within 30 days after the publication of this preliminary determination in the *Federal Register*.[216] Requests should contain the party's name, address, and telephone number; the number of participants; and a list of the issues to be discussed. If a request for a hearing is made, Commerce intends to hold the hearing at the U.S. Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230, at a date, time and location to be determined. Parties will be notified of the date, time and location of any hearing.

Parties must file their case and rebuttal briefs, and any requests for a hearing, electronically using Commerce's electronic records system, ACCESS.[217] Electronically filed documents must be

[213] *See* 19 CFR 351.224(b).
[214] *See* 19 CFR 351.309(c)-(d); *see also* 19 CFR 351.303 (for general filing requirements).
[215] *See* 19 CFR 351.309(c)(2) and (d)(2).
[216] *See* 19 CFR 351.310(c).
[217] *See* 19 CFR 351.303(b)(2)(i).

received successfully in their entirety by 5:00 p.m. Eastern Time,[218] on the due dates established above.

XVI. Verification

As provided in section 782(i)(1) of the Act, we intend to verify the information submitted in response to Commerce's questionnaires.

XVII. Recommendation

We recommend that you approve the preliminary findings described above.

☒ ☐

____________ ____________

Agree Disagree

8/24/2018

X

Signed by: GARY TAVERMAN

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

[218] *See* 19 CFR 351.303(b)(1).

Appendix

	Program Name	Rate
Direct Tax Exemptions and Reductions		
	Income Tax Reduction for High- and New- Technology Enterprises	25%
	Enterprise Income Tax Law, Research and Development (R&D) Program	
	Income Tax Reduction for Advanced-Technology FIEs	
	Income Tax Credits Purchases of Domestically-Produced Equipment by FIEs	
	Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment	
	Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax	
	Preferential Tax Policies for the Development of Western Regions of China	
	Preferential Income Tax Policy for Enterprises in the Northern Region	
	Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northern China	
Indirect Tax Programs		
	Import Duty Exemptions for Imported Equipment	9.71%
	VAT Exemptions for Imported Equipment	9.71%
	VAT Refunds for FIEs on Purchases of Chinese-Made Equipment	3.46%
	VAT Exemptions and Reductions for Central Regions	0.31%
	VAT Exemptions and Reductions for Northern Regions	0.31%
	Import Duty Exemptions for Equipment Under the Preferential Tax Policy of Development of Western Regions of China	0.31%
	Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring	0.47%
Loan Programs		
	Government Policy Lending Program	2.04%

	Preferential Loans to State-Owned Enterprises (SOEs)	2.04%
	Discounted Loans for Export-Oriented Enterprises	2.04%
	Preferential Loans for Key Projects and Technologies	2.04%
	Treasury Bond Loans	2.04%
	Loans & Interest Subsidies Provided Pursuant to the Northeast Revitalization Program	2.04%
	Export Buyer's Credits	10.54%
	Export Seller's Credit	12.95%
	Export Credit Insurance Subsidies	0.00%
	Export Credit Guarantees	0.19%
LTAR Programs		
	Provision of HRS Inputs for LTAR	30.47%
	Provision of Land-Use Rights to Steel Wheels Producers	1.8%
	Government Provision of Land to State-Owned Enterprises (SOEs)	13.36%
	Provision of Land LTAR to FIEs	13.36%
	Provision of Land-Use Rights in Industrial and Other Special Economic Zones	13.36%
	Provision of Electricity for LTAR	1.34%
Grant Programs		
	Famous Brands Program	0.73%
	SME International Market Exploration Fund	0.73%
	Export Assistance Grants	0.73%
	Export Interest Subsidies for Enterprises Located in Zhejiang Province	0.73%
	Grants for Export Credit Insurance	0.74%
	Foreign Trade Development Fund Program Grants	0.04%
	Special Fund for Energy-Saving Technology Reform	0.73%
	The Clean Production Technology Fund	0.73%

	Emission Reduction Award	0.73%
	State Special Fund for Promoting Key Industries and Innovation Technologies	0.58%
	State Key Technology Renovation Project Fund Program	0.58%
	Initial Public Offering (IPO) Grants from the Hangzhou Prefecture	0.73%
	Initial Public Offering (IPO) Grant from the City of Fuyang	0.73%
	Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes	0.73%
	Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers	0.73%
	Hangzhou City Government Grants under the Hangzhou Excellent new Products/Technology Award	0.73%
	Fuyang City Government Grants under the Export of Subcontract Services Program	0.73%
	Export Contingent Grants Provided by the Fuyang City Government	0.73%
	Investment Grants from Fuyang City Government for Key Industries	0.73%
	Direct Government Grants to Zhejiang Jingu Company Ltd.	0.73%
Total AFA Rate:		**172.51%**