UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

C-570-091
Investigation
Public Document
E&C/III: EH/KAH

DATE: February 14, 2019

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 12 to 16.5 Inches in Diameter 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 12 to 16.5 inches in diameter (certain 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 August 8, 2018, Commerce received petitions filed in proper form by Dexstar Wheel, a division of Americana Development, Inc. (the petitioner) seeking the imposition of antidumping duties (AD) and countervailing duties (CVD) on certain steel wheels from China.[1] We describe supplements to the petitions and our consultations with the Government of China (GOC) in the

[1] *See* Letter from the petitioner, "Petitions for the Imposition of Antidumping Duties and Countervailing Duties on Imports of Certain Steel Wheels 12 - 16.5 Inches in Diameter from the People's Republic of China," dated August 8, 2018 (Petition).

Initiation Notice and accompanying Initiation Checklist.[2] On September 5, 2018, we published the initiation of the CVD investigation of certain steel wheels from China.[3]

On August 21, 2018, we released the U.S. Customs and Border Protection (CBP) entry data under administrative protective order (APO), and requested comments regarding the data and respondent selection.[4] We stated in the *Initiation Notice* that, if respondent selection became necessary, we intended to base our selection of mandatory respondents on the CBP entry data for the Harmonized Tariff Schedule of the United States (HTSUS) subheadings listed in the scope of the investigation.[5]

On September 21, 2018, pursuant to section 777A(e)(2) of the Act and 19 CFR 351.204(c)(2), we selected Xingmin Intelligent Transportation Systems (Group) (Xingmin), Zhejiang Jingu Automobile Components (Zhejiang Automobile), and Zhejiang Jingu Company Limited (Zhejiang Jingu) as mandatory respondents.[6] On September 21, 2018, we issued the CVD questionnaire to the GOC, with instructions to forward the questionnaire to the mandatory respondents.[7] We received timely questionnaire and supplemental questionnaire responses from

[2] *See Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 45100 (September 5, 2018) (*Initiation Notice*) and accompanying Initiation Checklist.
[3] *See Initiation Notice*.
[4] *See* Memorandum, "Certain Steel Wheels 12 to 16.5 inches in Diameter from the People's Republic of China: Release of Customs Data from U.S. Customs and Border Protection," dated August 21, 2018 (CBP Data Release Memorandum).
[5] *See Initiation Notice*, 83 FR at 45103.
[6] *See* Memorandum, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Respondent Selection," dated September 21, 2018 (Respondent Selection Memorandum).
[7] *See* Letter to the GOC, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Countervailing Duty Questionnaire," dated September 21, 2018 (Initial Questionnaire).

Zhejiang Jingu,[8] and the GOC.[9] We received a timely questionnaire response from Xingmin.[10] However, on November 7, 2018, we received a letter from Xingmin withdrawing its participation in this investigation.[11]

The petitioner filed a new subsidy allegation (NSA) on November 28, 2018.[12] However, because of the timing of this allegation, and as a result of the partial closure of the federal government discussed below, Commerce will decide whether to initiate on this NSA after this preliminary determination. Should we initiate, we will issue an NSA questionnaire to the relevant parties. We also intend to issue a post-preliminary analysis for any program on which we initiate. Likewise, on December 21, 2018, the petitioner filed an uncreditworthy allegation for Zhejiang Jingu and several of its cross-owned companies.[13] Zhejiang Jingu submitted rebuttal comments on this allegation.[14] Commerce will decide whether to initiate on this allegation after this preliminary determination.

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[8] *See* Letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to Section III Questions Identifying Affiliated Companies," dated October 5, 2018 (Zhejiang Jingu Affiliation QR); letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to Affiliation Supplemental Questionnaire for Zhejiang Jingu," dated October 25, 2018 (Zhejiang Jingu's October 25 SQR); letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to Affiliation Second Supplemental Questionnaire for Zhejiang Jingu," dated November 2, 2018 (Zhejiang Jingu's November 2 Affiliation SQR); letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to Section III of the Initial Questionnaire for Zhejiang Jingu," dated November 7, 2018 (Zhejiang Jingu's IQR); letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to the Supplemental Questionnaire for Zhejiang Jingu," dated December 18, 2018 (Zhejiang Jingu's SQR); letter from Zhejiang Jingu, "Certain Steel Wheels (12 to 16.5 Inches in Diameter) from the People's Republic of China: Response to the Department's Second Supplemental Questionnaire," dated December 28, 2018 (Zhejiang Jingu's 2SQR).

[9] *See* Letter from the GOC, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China, Case No. C-570-091: Government of China's Initial Questionnaire Response," dated November 7, 2018 (GOC's IQR); letter from the GOC, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China, Case No. C-570-091: Government of China's Initial Questionnaire Response with Respect to Wheel World & Jingu New Energy," dated November 14, 2018; letter from the GOC, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China, Case No. C-570-091: Government of China's First Supplemental Questionnaire Response," dated December 12, 2018 (GOC's SQR); letter from the GOC, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China, Case No. C-570-091: Government of China's Second Supplemental Questionnaire Response," dated December 21, 2018 (GOC December 2SQR).

[10] *See* Letter from Xingmin, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China; Affiliation Questionnaire Response," dated October 5, 2018 (Xingmin Affiliation QR); letter from Xingmin, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China; Supplemental Affiliation Questionnaire Response," dated October 25, 2018; and letter from Xingmin, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China; Company-Specific Section III Questionnaire Response," dated November 5, 2018 (Xingmin IQR).

[11] *See* Letter from Xingmin, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China: Withdrawal from Participation," dated November 7, 2018 (Xingmin's Letter of Non-Participation).

[12] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China (C-570-091) – Petitioner's New Subsidy Allegation," dated November 28, 2018.

[13] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China (C-570-091) Petitioner's Uncreditworthiness Allegation for the Jingu Companies," dated December 21, 2018.

[14] *See* Letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Comments to Petitioner's Uncreditworthiness Allegations," dated January 29, 2019.

The petitioner and Zhejiang Jingu timely submitted data and rebuttal comments for Commerce to consider using as benchmarks in the less than adequate remuneration and loan programs subsidy rate calculations.[15] Additionally, on December 18, 2018, the petitioner alleged that critical circumstances exist with respect to imports of certain steel wheels from China,[16] and Zhejiang Jingu, Tredit Tire & Wheel Co., Inc. (Tredit), and Trans Texas Tire, LLC (TTT) timely filed critical circumstances comments.[17] The petitioner also timely filed pre-preliminary comments for Commerce to consider when making its preliminary determination.[18]

B. Postponement of Preliminary Determination

On October 15, 2018, per the petitioner's request, Commerce postponed the deadline for the preliminary determination of this investigation, in accordance with section 703(c)(1)(A) of the Act, by 65 days (*i.e.,* 130 days after the date on which this investigation was initiated).[19] Subsequently, Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018, through the resumption of operations on January 29, 2019.[20] As a result, the revised deadline for the preliminary determination in this investigation is now February 14, 2019.

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).

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[15] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China (C-570-091) Petitioner's Benchmark and Factual Information," dated December 17, 2018 (Petitioner's Benchmark Submission); *see also* Letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Benchmarks Submission," dated December 17, 2018 (Zhejiang Jingu's Benchmark Submission); *see also* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter From the People's Republic of China (C-570-091) – Petitioner's Rebuttal Benchmark Factual Information," dated December 21, 2018 (Petitioner Rebuttal Benchmark); *see also* Letter from Zhejiang Jingu, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Response to Petitioner's Benchmark Comments," dated January 29, 2019 (Zhejiang Jingu's Rebuttal Benchmark Submission).

[16] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inch in Diameter from China – Petitioner's Critical Circumstances Allegation," dated December 18, 2018 (Critical Circumstances Allegation).

[17] *See* Letter from Zhejiang Jingu, "Certain Steel Wheels (12 to 16.5 Inches in Diameter) from the People's Republic of China: Comments to Petitioner's Critical Circumstances Allegations," dated January 30, 2019 (Zhejiang Jingu CC Comments); *see also* Letter from Tredit, "Certain Steel Wheels (12 to 16.5 Inches in Diameter) from the People's Republic of China: Response to Petitioner's Critical Circumstances Allegations," dated January 29, 2019 (Tredit CC Comments); *see also* Letter from Trans Texas Tire, LLC (TTT), "TTT's Response to Dexstar's Critical Circumstances Allegations, Less-Than-Fair Value & Countervailing Duty Investigations of Certain Steel Wheels 12 to 16.5 Inch in Diameter from the People's Republic of China," dated February 1, 2019 (TTT CC Comments). .

[18] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China (C-570-091) Petitioner's Pre-Preliminary Comments," dated December 21, 2018.

[19] *See Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Postponement of Preliminary Determination in the Countervailing Duty Investigation*, 83 FR 51926 (October 15, 2018).

[20] *See* Memorandum, "Deadlines Affected by the Partial Shutdown of the Federal Government," dated January 28, 2019. All deadlines in this segment of the proceeding have been extended by 40 days.

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.[21] On October 30, 2018, we received comments from Tredit, a U.S. importer of the subject merchandise.[22] On November 14, 2018, the petitioner filed rebuttal comments opposing Tredit's scope request.[23] We are currently evaluating the scope comments filed by the interested parties. We intend to issue our preliminary decision regarding the scope of the AD and CVD investigations concurrent with the preliminary determination of the companion AD investigation, which is currently due no later than April 15, 2019. The preliminary scope decision will be placed on the record of both the AD and CVD investigations, and interested parties will have the opportunity to comment prior to the final CVD determination.

IV. Scope of the Investigation

The scope of this investigation is certain on-the-road steel wheels, discs, and rims for tubeless tires with a nominal wheel diameter of 12 inches to 16.5 inches, regardless of width. Certain on-the-road steel wheels with a nominal wheel diameter of 12 inches to 16.5 inches within the scope are generally for road and highway trailers and other towable equipment, including, inter alia, utility trailers, cargo trailers, horse trailers, boat trailers, recreational trailers, and towable mobile homes. The standard widths of certain on-the-road steel wheels are 4 inches, 4.5 inches, 5 inches, 5.5 inches, 6 inches, and 6.5 inches, but all certain on-the-road steel wheels, regardless of width, are covered by the scope.

The scope includes rims and discs for certain on-the-road steel wheels, whether imported as an assembly, unassembled, or separately. The scope includes certain on-the-road steel wheels regardless of steel composition, whether cladded or not cladded, whether finished or not finished, and whether coated or uncoated. The scope also includes certain on-the-road steel wheels with discs in either a "hub-piloted" or "stud-piloted" mounting configuration, though the stud-piloted configuration is most common in the size range covered.

All on-the-road wheels sold in the United States must meet Standard 110 or 120 of the National Highway Traffic Safety Administration's (NHTSA) Federal Motor Vehicle Safety Standards, which requires a rim marking, such as the "DOT" symbol, indicating compliance with applicable motor vehicle standards. See 49 CFR 571.110 and 571.120. The scope includes certain on-the-road steel wheels imported with or without NHTSA's 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 or rims imported as an assembly with a tire mounted on the rim and/or

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[21] *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997) (*Preamble*); *see also Initiation Notice*.
[22] *See* Letter from Tredit, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Request for Leave to File Scope Comments," dated October 30, 2018.
[23] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inch in Diameter from China – Petitioner's Submission of Opposition Statement on Tredit's Scope Request," dated November 14, 2018.

with a valve stem are included in the scope of this investigation. However, if the steel wheels or rims are imported as an assembly with a tire mounted on the wheel or rim and/or with a valve stem attached, the tire and/or valve stem is not covered by the scope.

Excluded from this scope are the following:

(1) Steel wheels for use with tube-type tires; such tires use multi piece rims, which are two-piece and three-piece assemblies and require the use of an inner tube;

(2) aluminum wheels;

(3) certain on-the-road steel wheels that are coated entirely with chrome; and

(4) steel wheels that do not meet Standard 110 or 120 of the NHTSA's requirements other than the rim marking requirements found in 49 CFR 571.110S4.4.2 and 571.120S5.2.

Certain on-the-road steel wheels subject to this investigation are properly classifiable under the following category of the Harmonized Tariff Schedule of the United States (HTSUS): 8716.90.5035 which covers the exact product covered by the scope whether entered as an assembled wheel or in components. Certain on-the-road steel wheels entered with a tire mounted on them may be entered under HTSUS 8716.90.5059 (Trailers and semi-trailers; other vehicles, not mechanically propelled, parts, wheels, other, wheels with other tires) (a category that will be broader than what is covered by the scope). While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise is dispositive.

V. Alignment

In accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4), and based on the petitioner's request,[24] 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 determination, which is currently scheduled to be due no later than July 1, 2019, unless postponed.

VI. 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 CVD petition named 36 exporters and/or producers of subject merchandise,[25] and the CBP entry data identified more than a hundred potential exporters and/or producers of subject merchandise during the

[24] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China (C-570-091)- Petitioner's Request for Alignment of Countervailing Duty Investigation Final Determination Deadline with Antidumping Investigation Final Determination Deadline," dated December 12, 2018.
[25] *See* Petition at 41 and Exhibit I-6.

POI.[26] Given the large number of producers/exporters of certain 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).[27] Based on the available resources and the analysis of the CBP data placed on the record, we selected Xingmin, Zhejiang Automobile, and Zhejiang Jingu, the three largest publicly-identifiable producers/exporters of the subject merchandise by volume, for individual examination as mandatory respondents in this investigation. However, as stated above, on November 7, 2018, Xingmin withdrew its participation in this investigation.[28] On November 13, 2018, the petitioner requested that Commerce select at least one additional mandatory respondent.[29] Due to statutory time constraints, Commerce did not select an additional mandatory respondent.

VII. 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 September 24, 2018, the ITC determined that there is reasonable indication that an industry in the United States is materially injured by reason of imports of certain steel wheels from China that are allegedly subsidized by the GOC.[30]

VIII. Preliminary Affirmative Determination of Critical Circumstances

The petitioner submitted information alleging that, pursuant to section 703(e)(1) of the Act, and 19 CFR 351.206(c)(1), critical circumstances exist with respect to imports of certain steel wheels from China.[31] The petitioner provided certain U.S. import data in support of their allegation.[32] On December 20, 2018, Commerce requested from Zhejiang Jingu monthly shipment data of subject merchandise to the United States for the period February 2015, through November 2018.[33] Zhejiang Jingu timely provided the requested information.[34] In accordance with 19 CFR 351.206(c)(2)(i), because the petitioner submitted a critical circumstances allegation more than 20 days before the scheduled date of the preliminary determination, Commerce must issue a

[26] *See* CBP Data Release Memorandum.
[27] *See* Respondent Selection Memorandum.
[28] *See* Xingmin's Letter of Non-Participation.
[29] *See* Letter from the petitioner, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China (C-570-091) – Petitioner's Request for Selection of Additional Mandatory Respondent," dated November 13, 2018.
[30] *See Steel Wheels from China; Determinations*, 83 FR 49124 (September 28, 2018).
[31] *See* Critical Circumstances Allegation.
[32] *Id*.
[33] *See* Letter to Zhejiang Jingu, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Request for Monthly Quantity and Value Shipment Data," dated December 20, 2018.
[34] *See* Letter from Zhejiang Jingu, "Certain Steel Wheels (12 to 16.5 Inches in Diameter) from the People's Republic of China: Response to the Department's Request for Monthly Quantity and Value Shipment Data," dated January 15, 2019.

preliminary critical circumstances determination not later than the date of the preliminary determination.[35]

Section 703(e)(1) of the Act provides that Commerce will determine that critical circumstances exist in CVD investigations if there is a reasonable basis to believe or suspect: (A) that "the alleged countervailable subsidy" is inconsistent with the Agreement on Subsidies and Countervailing Measures (SCM Agreement) of the World Trade Organization, and (B) that "there have been massive imports of the subject merchandise over a relatively short period."

In determining whether there are "massive imports" over a "relatively short period," pursuant to section 703(e)(1)(B) of the Act, Commerce normally compares the import volumes of the subject merchandise for at least three months immediately preceding the filing of the petition (*i.e.*, the "base period") to a comparable period of at least three months following the same date (*i.e.*, the "comparison period"). Commerce's regulations provide that, generally, imports must increase by at least 15 percent during the "comparison period" to be considered "massive."[36] Additionally, Commerce's regulations state that, in determining whether imports of the subject merchandise have been massive under section 735(a)(3)(B) of the Act, the Secretary normally will examine: (i) the volume and value of the imports; (ii) seasonal trends; and (iii) the share of domestic consumption accounted for by the imports.[37]

Zhejiang Jingu

As discussed in the "Analysis of Programs" section below, Commerce has preliminarily determined that Zhejiang Jingu has received countervailable benefits under several programs that are prohibited subsidies under the SCM Agreement, specifically: Export Seller's Credit, and Export Contingent Grants Provided by the Fuyang City Government. Therefore, we preliminarily determine that there is a reasonable basis to believe or suspect that there are programs in this investigation that are inconsistent with the SCM Agreement. Use of a prohibited subsidy program is sufficient to make an affirmative preliminary determination of critical circumstances under section 703(e)(1)(A) of the Act.[38] In determining whether there were massive imports from Zhejiang Jingu, we analyzed its respective monthly shipment data for the period of March 2018, through July 2018, compared to August 2018 through December 2018.[39] Additionally, for purposes of our "massive import" determination, we also considered the impact of seasonal trends on imports of certain steel wheels from China. Based upon our analysis of Zhejiang Jingu's data, without taking such seasonal trends into account, we

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[35] *See, e.g.*, *Policy Bulletin 98/4 Regarding Timing of Issuance of Critical Circumstances Determinations*, 63 FR 55364 (October 15, 1998).
[36] *See* 19 CFR 351.206(h)-(i).
[37] *See* 19 CFR 351.206(h)(1).
[38] *See Notice of Preliminary Affirmative Countervailing Duty Determination, Preliminary Affirmative Critical Circumstances Determination, and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Certain Softwood Lumber Products from Canada*, 66 FR 43186, 43189-90 (August 17, 2001) (unchanged in *Notice of Amended Final Affirmative Countervailing Duty Determination and Notice of Countervailing Duty Order: Certain Softwood Lumber Products from Canada*, 67 FR 36070 (May 22, 2002)).
[39] *See* Memorandum, "Monthly Shipment Quantity and Value Analysis for Critical Circumstances," dated concurrently with this memorandum (Critical Circumstances Memorandum).

preliminarily find that its shipments did not increase by more than 15 percent during the "relatively short period."[40] However, as discussed in our Critical Circumstances Memorandum, we preliminarily determine that seasonality exists for imports of certain steels wheels from China, and that taking this seasonality into account, we preliminarily find that massive imports exist for Zhejiang Jingu.[41] Therefore, we preliminarily determine that the requirements of section 703(e)(1)(B) of the Act have been satisfied, and that critical circumstances exist for Zhejiang Jingu.

Xingmin

As discussed in further detail below in the "Use of Facts Otherwise Available and Adverse Inferences" section, Commerce is applying total adverse facts available (AFA) to Xingmin. As part of the AFA determination, we are making adverse inferences that Xingmin benefitted from prohibited subsidies (*i.e.*, Export Seller's Credit, and Export Contingent Grants Provided by the Fuyang City Government) and had "massive imports" over a "relatively short period." Thus, Commerce determines that critical circumstances exist regarding imports of merchandise under consideration shipped by Xingmin, pursuant to sections 703(e) and 776(a) and (b) of the Act and 19 CFR 351.206.

Xingmin submitted its quantity and value data for Commerce to consider when conducting the critical circumstances analysis.[42] Commerce's practice is not to verify information from parties that withdraw from participation as a mandatory respondent.[43] Therefore, the shipment data Xingmin placed on the record cannot be verified.[44] Commerce is not required to consider record information that cannot be verified, or where the party has demonstrated that it failed to act to the best of its ability in providing the information requested, and meeting the requirements established, by Commerce.[45] Based on Xingmin's decision to withdraw its participation in this investigation, we preliminarily determine that AFA is warranted, and as AFA, preliminarily determine that critical circumstances exist for Xingmin, as discussed above. This determination is consistent with prior investigations, where a mandatory respondent withdrew from the investigation, and Commerce determined, as AFA, that critical circumstances existed for the non-participating mandatory respondent.[46]

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[40] *Id.*

[41] The details of the seasonality analysis involve business proprietary memorandum information and can be found in the Critical Circumstances Memorandum.

[42] *See* Letter from Xingmin, "Certain Steel Wheels 12 to 16.5 Inches in Diameter from China; Shipment Data Submission," dated February 1, 2019.

[43] *See* Initial Questionnaire at I-10, where we state that "Failure to allow full and complete verification of any information may affect the consideration accorded to that or any other verified or non-verified item in the responses." By withdrawing from the investigation, Xingmin did not allow Commerce to conduct verification, and, as noted in the Initial Questionnaire, failure to respond completely to Commerce's questionnaire "may result in the application of partial or total facts available, pursuant to section 776(a) of the Act, which may include adverse inferences, pursuant to section 776(b) of the Act."

[44] *See* section 782(e)(2) of the Act.

[45] *See* section 782(e) of the Act.

[46] *See e.g., Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 79 FR 68858, (November 19, 2014) and accompanying Issues and Decision Memorandum (IDM) at 10.

All-Other Exporters or Producers

With regard to whether imports of subject merchandise by the "all other" exporters or producers of certain steel wheels from China were massive, we preliminarily determine that because there is evidence of the existence of countervailable subsidies that are inconsistent with the SCM Agreement ((*i.e.*, Export Seller's Credit, and Export Contingent Grants Provided by the Fuyang City Government), an analysis is warranted as to whether there was a massive increase in shipments by the "all other" companies, in accordance with section 703(e)(1)(B) of the Act and 19 CFR 351.206(h). Therefore, we analyzed, in accordance with 19 CFR 351.206(i), monthly shipment data for the period April 2018, through July 2018 (*i.e.*, base period), compared to August 2018, through November 2018 (*i.e.*, comparison period), using shipment data from the ITC Dataweb.[47] Per our practice, we subtracted the shipment data reported by Zhejiang Jingu from the ITC import data. Additionally, for purposes of our "massive import" determination, we also considered the impact of seasonal trends on imports of certain steel wheels from China. Based upon our analysis of the resulting data for the "all others" exporters or producers, without taking such seasonal trends into account, we preliminarily find that the data indicate an increase in shipments from base to comparison period of less than 15 percent.[48] However, as discussed in our Critical Circumstances Memorandum, we preliminarily determine that seasonality exists for imports of certain steel wheels from China, and that taking this seasonality into account, we preliminarily find that massive imports exist for "all other" exporters and producers of certain steel wheels. Accordingly, Commerce preliminarily finds that critical circumstances exist with regard to imports of subject merchandise by "all other" exporters or producers of certain steel wheels from China. We are also not analyzing data placed on the record by other parties to determine on an individual company basis whether critical circumstances exist.[49] This is consistent with Commerce's past practice and with section 777A(e) of the Act.[50]

As a result of an affirmative preliminary determination of critical circumstances, in accordance with section 703(e)(2)(A) of the Act, we are directing CBP to suspend liquidation, with regard to Zhejiang Jingu, Xingmin, and all-other exporters or producers of certain steels wheels, of any unliquidated entries of the subject merchandise from China entered, or withdrawn from warehouse for consumption, 90 days prior to the date of publication of the preliminary determination in the *Federal Register*.

[47] *See* Critical Circumstances Memorandum. The ITC's Dataweb currently provides data through November 2018 only.
[48] *Id.*
[49] *See* TTT CC Comments. We note that TTT did not request that Commerce conduct critical circumstances analysis on its data but did provide data (for 2018 only) for itself to demonstrate that Commerce's "massive imports" requirement is not met.
[50] *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) (*CWP from China*), and accompanying IDM at Comment 10-11, *see also 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 Final*), and accompanying IDM at 10.

IX. 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, Commerce'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.[51]

Commerce affirmed its decision to apply the CVD law to China in numerous subsequent determinations.[52] 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.[53] The effective date of the enacted legislation makes clear that this provision applies to this proceeding.[54]

X. 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: 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.[55] 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.

XI. 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.[56] 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).[57] 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.

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[51] *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 IDM at Comment 6.
[52] *See, e.g., CWP from China,* and accompanying IDM at Comment 1.
[53] Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.
[54] *See* Public Law 112-99, 126 Stat. 265 §1(b).
[55] *See* Memorandum, "China Statistical Yearbook Memorandum," dated concurrently with this memorandum.
[56] *See* 19 CFR 351.524(b).
[57] *See* U.S. Internal Revenue Service Publication 946 (2016), "How to Depreciate Property," at Table B-2: Table of Class Lives and Recovery Periods.

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.

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 *CVD Preamble* to Commerce's regulations further clarifies Commerce's cross-ownership standard. According to the *CVD 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.[58]

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.[59]

[58] *See Countervailing Duties*, 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).
[59] *See Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-04 (CIT 2001).

Zhejiang Jingu and Zhejiang Automobile

As discussed above, we selected Zhejiang Jingu and Zhejiang Automobile as mandatory respondents. Zhejiang Jingu provided complete questionnaire responses for itself and five cross-owned companies: Shanghai Yata Industry Company Limited (Shanghai Yata); Shandong Jingu Auto Parts Co., Ltd. (Shandong Jingu); An'Gang Jingu (Hangzhou) Metal Materials Co., Ltd. (An'Gang Jingu); Zhejiang Wheel World Co., Ltd. (Zhejiang Wheel World); and Hangzhou Jingu New Energy Development Co. Ltd. (Hangzhou Jingu).[60] Each of these companies was either majority- or wholly-owned by Zhejiang Jingu.

Regarding Zhejiang Automobile, Zhejiang Jingu explained in its response to Commerce's questionnaire that "Zhejiang Automobile" was the name under which it did business prior to August 2007.[61] Zhejiang Jingu provided documentation with respect to this name change, also indicating that there was otherwise no change in ownership.[62] Zhejiang Automobile was established in 1996 as Fuyang Jingu Rim Company Limited. In 2003, the company changed its name to Zhejiang Automobile. In 2007, the company changed its name again, this time to Zhejiang Jingu, and changed its registration from a limited liability company to a joint-stock limited company. Throughout the AUL, the Sun family maintained a controlling, majority-share interest in the company under both the Zhejiang Jingu and Zhejiang Automobile names.[63] Commerce reviewed the business licenses for each company over the AUL, as well as shareholder resolutions and financial statements that reference the business name change and type of company.[64] Additionally, Zhejiang Jingu was able to demonstrate that it no longer operated under the name Zhejiang Automobile, and provided documentation explaining why Zhejiang Automobile would still appear in CBP data as an exporter of subject merchandise.[65] Based on the explanation and supporting documentation, we find it appropriate to treat Zhejiang Jingu and Zhejiang Automobile as the same entity.[66]

Zhejiang Jingu, Shandong Jingu, and Zhejiang Wheel World reported that they are each producers of subject merchandise over the AUL. We are attributing subsidies received by Zhejiang Jingu, Shandong Jingu and Zhejiang Wheel World to the combined sales of the three companies, excluding inter-company sales, in accordance with 19 CFR 351.525(b)(6)(ii) for each

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[60] *See* Zhejiang Jingu Affiliation QR at 1. We further note that these same companies, with exception of An'Gang Jingu, 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 (March 23, 2012) (*2012 Steel Wheels Final*) and accompanying IDM at "Attribution of Subsidies: The Jingu Companies."
[61] *See* Zhejiang Jingu's October 25 SQR at 1 and Exhibit AS-1.
[62] *Id*.
[63] *Id.* at 2.
[64] *Id*. at Exhibit AS-2 through Exhibit AS-5.
[65] *Id*. at Exhibit AS-6 through Exhibit AS-8.
[66] This is consistent with our practice. *See e.g., Certain New Pneumatic Off-the-Road Tires from Sri Lanka: Preliminary Affirmative Countervailing Duty Determination, Preliminary Affirmative Critical Circumstances Determination, and Alignment of Final Determination With Final Antidumping Determination*, 81 FR 39900 (June 20, 2016), and accompanying Preliminary Decision Memorandum at 9 (unchanged in *Certain New Pneumatic Off-the-Road Tires from Sri Lanka: Final Affirmative Countervailing Duty Determination, and Final Determination of Critical Circumstances*, 82 FR 2949 (January 10, 2017)).

year that these companies produced subject merchandise. We note that Zhejiang Wheel World did not produce subject merchandise during the POI but did produce subject merchandise over the AUL.[67] Therefore, we will attribute to Zhejiang Jingu the benefit from any subsidies received by Zhejiang Wheel World up to and through the last year they produced certain steel wheels.

An'Gang Jingu and Hangzhou Jingu provided inputs for the production of subject merchandise.[68] Additionally, Zhejiang Jingu reported that Hangzhou Jingu provided a small amount of electricity to Zhejiang Jingu and An'Gang Jingu in exchange for rental space, and that at Zhejiang Jingu, the electricity generated from the panels was used for non-subject merchandise in a workshop in its Jinqiao Plant. Zhejiang Jingu states that this plant exclusively produces non-subject wheels.[69,70] We preliminarily determine that these inputs are primarily dedicated to the production of downstream products including certain steel wheels within the meaning of 19 CFR 351.524(b)(6)(iv). Therefore, we are attributing subsidies received by An'Gang Jingu and Hangzhou Jingu to the combined sales of the respective input provider and producers of subject merchandise discussed above, excluding inter-company sales, in accordance with 19 CFR 351.525(b)(6)(iv).

Shanghai Yata is a trading company that exports subject merchandise produced by Zhejiang Jingu and Shandong Jingu. Therefore, we are attributing subsidies received by Shandong Yata to the cumulation of its sales and the respective producers of subject merchandise discussed above, excluding inter-company sales, in accordance with 19 CFR 351.525(c).

Finally, Zhejiang Jingu identified other companies with which it was affiliated during the POI.[71] However, Zhejiang Jingu stated that these affiliates were not involved in either the production or export of subject merchandise during the POI.[72] Therefore, we preliminarily determine that these affiliated companies do not meet any of the conditions set forth in 19 CFR 351.525(b)(6)(ii)-(iv).

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[67] *See* Zhejiang Jingu's November 2 Affiliation SQR at 2.
[68] *See* Zhejiang Jingu Affiliation QR at 1.
[69] *See* Zhejiang Jingu's November 2 Affiliation SQR at 3; *see also* Zhejiang Jingu's IQR at A-2. Zhejiang Jingu clarified that while the Jinqiao Plant produces subject and non-subject steel wheels, the solar panels were placed only on the roofs of the plant that produced non-subject steel wheels. *See* Zhejiang Jingu's 2SQR at SSQ-1 and SSQ-2.
[70] To the extent Zhejiang Jingu is making an argument regarding the tying of certain subsidies, we note that under our tying practice, a finding that a subsidy is tied to a particular product is not determined by the end-use of the subsidy but by documentary evidence at the bestowal of the subsidy that the government knew, and intended for, the subsidy to benefit the particular product specifically. Otherwise, our practice is to treat subsidies generally to be "untied" and to benefit the recipient company broadly.
[71] *See* Zhejiang Jingu Affiliation QR at Exhibit 1.
[72] *Id.*

Xingmin

As noted above, Xingmin timely filed its affiliation questionnaire response;[73] however, on November 7, 2018, Xingmin filed a letter withdrawing from this investigation.[74] Thus, Xingmin precluded our investigation as to whether it should be found cross-owned with any of the other entities identified in its response within the meaning of 19 CFR 351.525(b)(6)(vi) and whether any of the attribution rules under 19 CFR 351.525(b) would apply to these entities. Nonetheless, as an extension of our application of AFA as discussed in further detail below, we are assigning Xingmin's rate to all of the entities for which Xingmin had provided an initial questionnaire response: Sino-Tex (Longkou) Wheel Manufacturers Inc.; Tangshan Xingmin Wheel Co., Ltd.; and Xianning Xingmin Wheel Co., Ltd.[75]

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, less intercompany 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 calculations are net of inter-company sales. For a further discussion of the denominators used, *see* the Preliminary Calculation Memorandum.[76]

XII. Benchmarks

Commerce is investigating loans received by Zhejiang Jingu from Chinese policy banks and state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies.[77] 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.[78] 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."[79]

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[73] *See* Xingmin Affiliation QR.
[74] *See* Xingmin's Letter of Non-Participation.
[75] *See* Xingmin IQR.
[76] *See* Memorandum, "Preliminary Determination Analysis for Zhejiang Jingu Company Limited," dated concurrently with this memorandum (Zhejiang Jingu's Preliminary Analysis Memorandum).
[77] *See* 19 CFR 351.524(b)(1).
[78] *See* 19 CFR 351.505(a)(3)(i).
[79] *See* 19 CFR 351.505(a)(3)(ii).

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.[80] In an analysis memorandum dated July 21, 2017, Commerce conducted a re-assessment of the lending system in China.[81] 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.[82]

In past proceedings involving imports from China, we calculated the external benchmark using the methodology first developed in *CFS from China* and more recently updated in *Thermal Paper from China*.[83] 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.[84] Beginning in 2010, however, China fell within the upper-middle income category and remained there from 2011 to 2017.[85] 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.[86]

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[80] *See CFS from China*, and accompanying IDM at Comment 10.
[81] *See* "Review of China's Financial System Memorandum," under cover dated concurrently with this memorandum.
[82] *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 Preliminary Decision Memorandum at 21 (unchanged in C*ertain 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) (*OTR from China 2015 Final Results*)).
[83] *See CFS from China*, and accompanying IDM at Comment 10; *see also Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from China*), and accompanying IDM at 8-10.
[84] *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 memorandum (Interest Rate Benchmark Memorandum).
[85] *Id*.
[86] *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*

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.[87] For 2010, however, the regression does not yield that outcome for China's income group.[88] 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 "upper middle income" by the World Bank for 2010-2017 and "lower middle income" for 2001-2009.[89] First, we did not include those economies that Commerce considered to be non-market economies 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.[90] Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.[91]

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.[92]

China: Final Affirmative Countervailing Duty Determination, 78 FR 50391 (August 19, 2013) (*Shrimp from China*)).

[87] *See* Interest Rate Benchmark Memorandum; *see also* Zhejiang Jingu's Preliminary Analysis Memorandum.

[88] *Id.*

[89] *Id*.

[90] *Id*.

[91] *Id*.

[92] *See*, *e.g.*, *Thermal Paper from China* and accompanying IDM at 10.

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.[93] Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.[94]

The resulting inflation-adjusted benchmark lending rates are provided in the preliminary calculation memorandum for Zhejiang Jingu.[95]

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.[96] The interest rate benchmarks and discount rates used in our preliminary calculations are provided in Zhejiang Jingu's Preliminary Analysis Memorandum.

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

We selected benchmarks for determining the benefit from the provision of hot-rolled steel (HRS) in accordance with 19 CFR 351.511. Section 351.511(a)(2) of Commerce's regulations 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).[97] 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 petitioner to consider using the "tier two" benchmarks for HRS coil. The petitioner submitted data from the MEPS (International) Ltd. (MEPS), UN Comtrade Database (Comtrade) (annual data only), and China Customs Data.[98] Specifically, the petitioner submitted pricing data for HTS subheadings 720836, 720837, 720838, 720839, 720851, 720852, 720853, and 720854 as potential benchmarks for HRS. We determine that the MEPS data may serve as a world market benchmark price for HRS coil that would be available

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[93] *See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009) (*Citric Acid from China*), and accompanying IDM at Comment 14.
[94] *See* Interest Rate Benchmark Memorandum.
[95] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[96] *Id.*; *see also* Interest Rate Benchmark Memorandum.
[97] *See* 19 CFR 351.511(a)(2).
[98] *See* Petitioner's Benchmark Submission.

to purchasers of HRS coil in China. We note that Commerce has relied on pricing data from MEPS in several CVD proceedings involving China.[99,100] We are not using Comtrade data as it was submitted using annual data. The petitioner also provided pricing data for use as potential benchmarks for ocean freight rates from a variety of world ports to Shanghai Port in 2017 as reported by Maersk Line.[101]

Zhejiang Jingu provided world export prices of HRS based on the information sourced from American Metal Market (AMM).[102] However, as the petitioner pointed out, AMM's data is proprietary, and Zhejiang Jingu's submission consists of only one source for its benchmark data, despite AMM's offering of additional sources to value HRS.[103] Further, detailed information about the type of hot-rolled steel coil covered by AMM data was not provided. We preliminarily find that the data do not come with an indication that it is representative of the entire AMM data set. While Commerce has used AMM in prior proceedings, Commerce uses the best information available on the record of the proceeding before it. In this instant investigation, Commerce preliminarily determines that this particular AMM dataset does not represent the best available information for use as a potential benchmark to determine the benefit for the provision of HRS.

With respect to the HRS purchased by Zhejiang Jingu, we are relying on MEPS (International) Ltd. monthly prices for HRS submitted by the petitioner which reflect the primary HRS purchased by Zhejiang Jingu to use in the production of subject merchandise during the POI.[104]

Pursuant to 19 CFR 351.511(a)(2)(iv), benchmarks should reflect "delivered prices" and should include import and delivery charges. Therefore, we added freight charges, value-added tax (VAT), and import duties applicable on purchases in order to calculate a price that a respondent company would have paid on the world market for these inputs. We added import duties as reported by the GOC, the VAT applicable to imports of HRS coil into China as also reported by the GOC, and inland freight from the port to the factory based on an amount reported by

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[99] *See, e.g., Certain Steel Wheels from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 76 FR 55012, 55023-55025 (September 6, 2011) (unchanged in *2012 Steel Wheels Final*); *see also Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 4936 (January 28, 2009); *see also Certain Steel Wheels from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 83 FR 44573 (August 31, 2018) (*Steel Wheels from China 2018 Preliminary Determination*).

[100] We did not select China Customs Data because Commerce has recently found that China's official Customs database system has been shut down since April 25, 2018, and therefore data from this source may not be verifiable. *See Steel Wheels from China 2018 Preliminary Determination*, and accompanying Preliminary Decision Memorandum at 12-13.

[101] *See* Petitioner's Benchmark Submission, at 7 and Exhibit 20.

[102] *See* Zhejiang Jingu's Benchmark Submission.

[103] *See* Petitioner Rebuttal Benchmark. Zhejiang Jingu argued that the petitioner's data is also proprietary through a paid subscription service, but we note that Zhejiang Jingu only provided a website link to support this claim, and did not submit the webpages themselves. *See* Zhejiang Jingu's Rebuttal Benchmark Submission.

[104] *See* Petitioner's Benchmark Submission, at 3-5 and Exhibit 16.

Zhejiang Jingu.[105] We also added an amount for ocean freight, and are relying on the ocean freight data submitted by the petitioner because it is contemporaneous with our POI.[106]

D. 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.[107] Furthermore, Commerce also found that "tier two" benchmarks (world market prices that would be available to purchasers in China) are not appropriate.[108]

On October 2, 2018, Commerce completed a memorandum analyzing developments in China's land market since 2007.[109] The Land Analysis Memorandum was prepared to assess the continued application of Commerce's land for LTAR benchmark methodology, as established in 2007 in *Sacks from China*.[110] As discussed in the Land Analysis Memorandum, although reforms in China's land markets have improved the use-rights of some landholders, such improvements have not been comprehensive, and reforms have been implemented on an *ad hoc* basis.[111] The reforms to date have not addressed the fundamental institutional factors that underlie the Chinese government's monopoly control over land-use, which precludes landholders from putting their land to its best use and realizing the market value of their landholdings.[112] The GOC still owns all land in China, and exercises direct control over the sale of land-use rights and land pricing in the primary market and indirect control in the secondary market.[113]

As a result, and consistent with our methodology established in *Sacks from China*, we determine that we cannot use any first-tier, domestic Chinese land prices for benchmarking purposes. We also determine that because land is generally not simultaneously available to an in-country purchaser while located and sold out-of-country on the world market, we cannot use second-tier

[105] *See* GOC IQR at II-31 – II-32; *see also* Zhejiang Jingu's IQR at A-20.
[106] *See* Petitioner's Benchmark Submission, at 7 and Exhibit 20.
[107] *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 *Laminated Woven Sacks from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination, in Part, of Critical Circumstances*, 73 FR 35639 (June 24, 2008) (*Sacks from China*)).
[108] *Id*.
[109] *See* Memorandum, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Land Analysis Memorandum," dated concurrently with this memorandum (Land Memorandum) (containing a memorandum titled "Benchmark Analysis of the Government Provision of Land-Use Rights in China for Countervailing Duty Purposes," dated October 2, 2018).
[110] *Id*. at 2.
[111] *Id*.
[112] *Id*.
[113] *Id*.

world prices as a benchmark for land-use rights. Finally, because land prices in China are not consistent with market principles, and reflect the government's control and allocation of land-use on an administrative basis, we will continue to use land-use prices outside of China as a third-tier benchmark. Accordingly, consistent with our past practice, we are relying on the use of so-called "tier three" benchmarks for purposes of calculating a benefit for this program.

For this investigation, the domestic industry submitted industrial land prices from "Asian Market view Reports" by CB Richard Ellis for Thailand for 2010.[114] Commerce used this benchmark in the CVD investigations of *Solar Cells from China* and *ITDCs from China,*[115] and more recently in *Steel Racks*.[116] 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.[117] We find that these benchmarks are suitable for this preliminary determination, adjusted accordingly for inflation, to account for any countervailable land received by Zhejiang Jingu during the AUL of this investigation.[118]

We will continue to examine benchmark prices on a case-by-case basis, and will consider the extent to which proposed benchmarks represent prices in a comparable setting (*e.g.*, a country proximate to China; the country's level of economic development, *etc*.). Therefore, we invite parties to submit alternative benchmark data that is consistent with the guidance provided in *Sacks from China* and the Land Analysis Memorandum.[119] Parties will have seven days after the publication of this memorandum to provide information to rebut, clarify, or correct information in the Land Analysis Memorandum.

XIII. 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

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[114] *See* Petitioner's Benchmark Submission at Exhibit 10.

[115] *See Solar Cells from China Final*, and accompanying IDM at 6 and Comment 11; *see also 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.

[116] *See Certain Steel Racks from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination with Final Antidumping Duty Determination*, 83 FR 62297 (December 3, 2018) (*Steel Racks*), and accompanying Preliminary Decision Memorandum at 35-36.

[117] The complete history of our reliance on this benchmark is discussed in the above-referenced *Solar Cells from China* and accompanying IDM. In that discussion, we reviewed our analysis from the *Sacks from China* investigation and concluded the CBRE data remained a valid land benchmark.

[118] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.

[119] *See* Land Analysis Memorandum at 30-31.

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 does not 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 manner."[120] 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."[121] At the same time, section 776(b)(1)(B) of the Act states that Commerce is not required to determine, or make any adjustments to, a countervailable subsidy rate based on any assumptions about information the interested party would have provided if the interested party had complied with the request for information.

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 of the Act concerning the subject merchandise."[122] It is Commerce's practice to consider information to be corroborated if it has probative value.[123] In analyzing whether information has probative value, it is Commerce's practice to examine the reliability and relevance of the information to be used.[124] However, the SAA emphasizes that Commerce need not prove that the selected facts available are the best alternative information.[125] Furthermore, Commerce is not required to corroborate any countervailing subsidy rate applied in a separate segment of the same proceeding.[126]

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

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[120] *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); *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).
[121] *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.
[122] *See, e.g.*, SAA at 870.
[123] *See* SAA at 870.
[124] *See, e.g.*, SAA at 869.
[125] *See* SAA at 869-70.
[126] *See* section 776(c)(2) of the Act.

Commerce considers reasonable to use, including the highest of such rates. Additionally, when selecting an AFA rate, Commerce is not required for purposes of section 776(c) of the Act, or any other purpose, to estimate what the countervailable subsidy rate would have been if the interested party had cooperated or to demonstrate that the countervailable subsidy rate reflects an "alleged commercial reality" of the interested party.[127]

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, Xingmin was selected as a mandatory respondent in this investigation, and timely filed its affiliation questionnaire response.[128] However, on November 8, 2018, Xingmin filed a letter of stating that it would no longer be participating in this investigation.[129] Thus, the company failed to provide a response to Commerce's complete CVD questionnaire and, as such, we preliminarily find that Xingmin withheld information that had been requested and failed to provide information within the deadlines established.[130] By not responding to the complete questionnaire and filing a letter of non-participation, Xingmin significantly impeded this proceeding.[131] 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, Xingmin 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 Xingmin 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 as to whether it should be found cross-owned with any of the other entities identified in its response within the meaning of 19 CFR 351.525(b)(6)(vi) and which of the attribution rules under 19 CFR 351.525(b), if any, would apply to these entities. Therefore, as an extension of our application of AFA, we will assign Xingmin's rate to all of the entities for which it provided a questionnaire response.[132] We find that this is an appropriate measure to ensure that Xingmin does not obtain, through these companies, a more favorable result based on its non-cooperation.

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[127] *See* section 776(d)(3) of the Act.
[128] *See* Xingmin Affiliation QR.
[129] *See* Xingmin's Letter of Non-Participation.
[130] *See* the Section III of the Initial Questionnaire.
[131] *See* Xingmin's Letter of Non-Participation.
[132] *See* Xingmin Affiliation QR at 1.

The application of AFA is consistent with Commerce's practice.[133] Therefore, in applying AFA, Commerce is finding the programs at issue in this investigation identified below[134] to be countervailable – that is, they provide a financial contribution within the meaning of sections 771(5)(B) 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.[135] We selected an AFA rate for each of these programs based on the statutory hierarchy provided in section 776(d) of the Act and in accordance with Commerce's practice, and we included them in the determination of the AFA rate applied to Xingmin. Commerce has previously countervailed these or similar programs. For a description of the selection of the AFA rate and our corroboration of this rate, *see* the "Selection of the AFA Rate" and "Corroboration of the AFA Rate" sections below.

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.[136] 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.[137] Accordingly, when selecting AFA rates, if we have cooperating respondents, as we do in this

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[133] *See, e.g., Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from the People's Republic of China: Preliminary Affirmative Determination*, 80 FR 68843 (November 6, 2015), and accompanying IDM at "Initiation and Case History" and "Use of Facts Otherwise Available and Adverse Inferences," (unchanged in *Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 81 FR 35308 (June 2, 2016), and accompanying IDM at "Case History" and "Use of Facts Otherwise Available and Adverse Inferences"); *see also OTR from China 2015 Final Results*, and accompanying IDM at "Use of Facts Otherwise Available and Adverse Inferences."

[134] 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 40-50. Thus, we have not included these company-specific alleged subsidy programs that are not related to Xingmin in its AFA rate. We are including subsidies that the Jingu companies are reporting under "Direct Government Grants to Zhejiang Jingu," to capture, as AFA, any benefit Xingmin could have received from the "Direct Government Grants to Xingmin Intelligent Transportation" program.

[135] *See* Appendix 1.

[136] *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 IDM 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 IDM at "VI. Use of Facts Otherwise Available and Adverse Inferences: Application of Adverse Inferences: Non-Cooperative Companies."

[137] *See*, *e.g.*, *Shrimp from China*, and accompanying IDM at 13; *see also Essar Steel Ltd. v. United States*, 753 F.3d 1368, 1373-1374 (Fed. Cir. 2014) (upholding "hierarchical methodology for selecting an AFA rate").

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).[138] 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.[139]

Commerce's methodology is consistent with Section 502 of the Trade Preferences Extension Act of 2015 (TPEA), which the President of the United States signed into law on June 29, 2015. Section 502 of the TPEA added new subsection (d) to section 776 of the Act. Section 776(d)(1)(A) of the Act states that when applying an adverse inference in selecting from the facts otherwise available, Commerce may (i) use a countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country, or (ii) if there is no same or similar program, use a countervailable subsidy for a subsidy rate from a proceeding that Commerce considers reasonable to use. Thus, section 776(d)(1)(A) of the Act expressly allows for Commerce's existing practice of using an adverse facts available hierarchy in selecting a rate "among the facts otherwise available" in CVD cases, should the facts warrant such a selection.

Section 776(d)(2) of the Act authorizes Commerce to rely on the highest prior rate under certain circumstances. In deriving an adverse facts available rate under section 776(d)(1)(A) of the Act described above, the provision states that Commerce "may apply any of the countervailable subsidy rates or dumping margins specified under that paragraph, including the highest such rate or margin, based on the evaluation by the administering authority of the situation that resulted in the administering authority using an adverse inference in selecting among the facts otherwise available."[140] No legislative history accompanied this provision of the TPEA. Accordingly, Commerce is left to interpret this "evaluation by the administering authority of the situation" language in light of existing agency practice, and the structure and provisions of section 776(d) of the Act itself.

We find that the Act anticipates a two-step process for determining an appropriate adverse facts available rate in CVD cases: 1) Commerce may apply its hierarchy methodology, and 2) Commerce may apply the highest rate derived from this hierarchy to a respondent, should it choose to apply that hierarchy in the first place, unless, after an evaluation of the situation that

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[138] 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 IDM at "1. Grant Under the Tertiary Technological Renovation Grants for Discounts Program" and "2. Grant Under the Elimination of Backward Production Capacity Award Fund."
[139] *See Shrimp from China*, and accompanying IDM at 13-14.
[140] *See* section 776(d)(2) of the Act.

resulted in the use of adverse facts available, Commerce determines that the situation warrants a rate different than the rate derived from the hierarchy be applied.[141]

In applying the adverse facts available rate provision, it is well established that when selecting the rate from among possible sources, Commerce seeks to use a rate that is sufficiently adverse to effectuate the statutory purpose of section 776(b) of the Act to induce respondents to provide Commerce with complete and accurate information in a timely manner. This ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[142] Further, "in the case of an uncooperative respondent, Commerce is in the best position, based on its expert knowledge of the market and the individual respondent, to select adverse facts that will create the proper deterrent to non-cooperation with its investigations and assure a reasonable margin."[143] It is pursuant to this knowledge and experience that Commerce has implemented its adverse facts available hierarchy in CVD cases to select an appropriate adverse facts available rate.[144]

In applying its adverse facts available hierarchy in CVD investigations, Commerce's goal is as follows: in the absence of necessary information from cooperative respondents, Commerce is seeking to find a rate that is a relevant indicator of how much the government of the country under investigation is likely to subsidize the industry at issue, through the program at issue, while inducing cooperation. Accordingly, in sum, the three factors that Commerce takes into account in selecting a rate are: 1) the need to induce cooperation, 2) the relevance of a rate to the industry in the country under investigation (*i.e.*, can the industry use the program from which the rate is derived), and 3) the relevance of a rate to a particular program, though not necessarily in that order of importance.

Furthermore, the hierarchy (as well as section 776(d)(1) of the Act) recognizes that there may be a "pool" of available rates that Commerce can rely upon for purposes of identifying an adverse facts available rate for a particular program. In investigations for example, this "pool" of rates could include the rates for the same or similar programs used in either that same investigation, or prior CVD proceedings for that same country. Of those rates, the hierarchy provides a general

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[141] This differs from AD proceedings, for which no hierarchy applies, under section 776(d)(1)(B) of the Act. Under that provision, "any dumping margin from any segment of the proceeding under the applicable antidumping order" may be applied, which suggests an adverse rate could be derived from different available margins, given the facts on the record.

[142] *See* SAA, H.R. Doc. No. 103-316, vol. 1, at 870, reprinted in 1994 U.S.C.C.A.N 4040, 4090; *see also Essar Steel*, 678 at 1276 (citing *F. Lii De Cecco Di Filippo Fara S. Martino S.p.A. v. United States*, 216 F.3d 1027, 1032 (Fed. Cir. 2000) (finding that "{t}he purpose of the adverse facts statute is 'to provide respondents with an incentive to cooperate" with Commerce's investigation, not to impose punitive damages.'") (*De Cecco*).

[143] *See De Cecco*, 216 F.3d at 1032.

[144] Commerce has adopted a practice of applying its hierarchy in CVD cases. *See e.g.*, *Finished Carbon Steel Flanges from India: Final Affirmative Countervailing Duty Determination*, 82 FR 29479 (June 29, 2017) and accompanying IDM at Comment 4 at 28-31 (applying the AFA hierarchical methodology within the context of a CVD investigation); *see also Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2012*, 80 FR 41003 (July 14, 2015) and accompanying IDM at 11-15 (applying the AFA hierarchical methodology within the context of a CVD administrative review). However, depending on the type of program, Commerce may not always apply its AFA hierarchy. *See e.g.*, *Certain Uncoated Paper from Indonesia: Final Affirmative Countervailing Duty Determination*, 81 FR 3104 (January 20, 2016), and accompanying IDM at 7-8 (applying, outside of the AFA hierarchical context, the highest combined standard income tax rate for corporations in Indonesia).

order of preference to achieve the goal identified above. The hierarchy therefore does not focus on identifying the highest possible rate that could be applied from among that "pool" of rates; rather, it adopts the factors identified above of inducement, relevancy to the industry and to the particular program.

Under the first step of Commerce's investigation hierarchy, Commerce applies the highest non-zero rate calculated for a cooperating company for the identical program in the investigation. Under this step, we will even use a *de minimis* rate as adverse facts available if that is the highest rate calculated for another cooperating respondent in the same industry for the same program.

However, if there is no identical program match within the investigation, or if the rate is zero, then Commerce will shift to the second step of its investigation hierarchy, and either apply the highest non-*de minimis* rate calculated for a cooperating company in another CVD proceeding involving the same country for the identical program, or if the identical program is not available, for a similar program. This step focuses on the amount of subsidies that the government has provided in the past under the investigated program. The assumption under this step is that the non-cooperating respondent under investigation uses the identical program at the highest above *de minimis* rate of any other company using the identical program.

Finally, if no such rate exists, under the third step of Commerce's investigation hierarchy, Commerce applies the highest rate calculated for a cooperating company from any non-company-specific program that the industry subject to the investigation could have used for the production or exportation of subject merchandise.[145]

In all three steps of Commerce's adverse facts available investigation hierarchy, if Commerce were to choose low adverse facts available rates consistently, the result could be a negative determination with no order (or a company-specific exclusion from an order) and a lost opportunity to correct future subsidized behavior. In other words, the "reward" for a lack of cooperation would be no order discipline in the future for all or some producers and exporters. Thus, in selecting the highest rate available in each step of Commerce's investigation adverse facts available hierarchy (which is different from selecting the highest possible rate in the "pool" of all available rates), Commerce strikes a balance between the three necessary variables: inducement, industry relevancy, and program relevancy.[146]

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[145] In an investigation, unlike an administrative review, Commerce is just beginning to achieve an understanding of how the industry under investigation uses subsidies. Commerce may have no prior understanding of the industry and no final calculated and verified rates for the industry.

[146] It is significant that all interested parties, since at least 2007, that choose not to provide requested information have been put on notice that Commerce, in the application of facts available with an adverse inference, may apply its hierarchy methodology and select the highest rate in accordance with that hierarchy. *See*, *e.g.*, *Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) and accompanying IDM at 2 ("As AFA in the instant case, the Department is relying on the highest calculated final subsidy rates for income taxes, VAT and Policy lending programs of the other producer/producer in this investigation, Gold East Paper (Jiangsu) Co., Ltd. (GE). GE did receive any countervailable grants, so for all grant programs, we are applying the highest subsidy rate for any program otherwise listed…"). Therefore, when an interested party is making a decision as to whether or not to cooperate and respond to a request for information by Commerce, it does not make this decision in a vacuum; instead, the interested party makes this decision in an environment in which Commerce may apply the highest rate as adverse facts available under its hierarchy.

Furthermore, we find that section 776(d)(2) of the Act applies as an exception to the selection of an adverse facts available rate under section 776(d)(1) of the Act; that is, after "an evaluation of the situation that resulted in the application of an adverse inference," Commerce may decide that given the unique and unusual facts on the record, the use of the highest rate within that step is not appropriate.

There are no facts on this record that suggest that a rate other than the highest rate envisioned under the appropriate step of the hierarchy applied in accordance with section 776(d)(1) of the Act should be applied as adverse facts available. As explained above, Commerce is preliminarily applying adverse facts available because the GOC and Xingmin chose not to cooperate by not providing the information Commerce requested. Therefore, we preliminarily find that the record does not support the application of an alternative rate, pursuant to section 776(d)(2) of the Act.

In applying AFA to Xingmin, 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 Zhejiang Jingu to Xingmin for the following programs:

- Government Policy Lending Program
- Export Seller's Credit
- Provision of Hot-Rolled Steel for LTAR
- Provision of Land-Use Rights to Steel Wheels Producers
- Provision of Electricity for LTAR
- Income Tax Reductions for High-and New-Technology Enterprises
- Enterprises Income Tax Law, Research and Development (R&D) Program
- Import Duty Exemptions for Imported Equipment
- State Special Fund for Promoting Key Industries and Innovation Technologies
- Initial Public Offering (IPO) Grants from the City of Fuyang
- Export Contingent Grants Provided by the Fuyang City Government
- Investment Grants from Fuyang City Government for Key Industries

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 Xingmin paid no Chinese income tax during the POI:

- Income Tax Reduction for Advanced-Technology FIEs
- Preferential Income Tax Policy for Enterprises in the Northeast 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.[147] 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 three 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.[148]

For all other programs not identified above,[149] 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. 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 China CVD proceedings:

- 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 Buyer's Credit
- Export Credit Insurance Subsidies
- Export Credit Guarantees
- Government Provision of Land to SOEs
- Provision of Land for LTAR to Foreign-Invested Enterprises (FIEs)
- Provision of Land-Use Rights in Certain Industrial and Other Special Economic Zones
- Income Tax Credits Purchases of Domestically-Produced Equipment by FIEs
- Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment
- Fixed Assets Investment Orientation Regulatory Tax Reduction or Exemption
- VAT Exemptions for Imported Equipment
- VAT Refunds for FIEs on Purchases of Chinese-Made Equipment
- VAT Exemptions and Deductions for Northeast Region
- 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

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[147] *See* Initiation Checklist at 8.
[148] *See, e.g.*, *Aluminum Extrusions from China Final,* and accompanying IDM at "Application of Adverse Inferences: Non-Cooperative Companies."
[149] These are the remainder of the programs from the Initiation Checklist.

- Emission Reduction Award
- State Key Technology Renovation Project Fund Program
- Initial Public Offering (IPO) Grants from the Hangzhou Prefecture
- 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
- Direct Government Grants to Xingmin Intelligent Group

For this preliminary determination, we were similarly able to match all of the Jingu companies' self-reported subsidies (reported under "Direct Government Grants to Zhejiang Jingu" and under "Other Subsidies") for which we did not calculate a rate in the instant investigation to similar programs from other China CVD proceedings. A full list of such self-reported subsidies is contained below in Appendix 1.[150]

Based on the methodology described above, we preliminarily determine the AFA countervailable subsidy rate for Xingmin to be 293.27 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."[151] The SAA provides that to "corroborate" secondary information, Commerce will satisfy itself that the secondary information to be used has probative value.[152]

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.[153] 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.[154]

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[150] With respect to the Jingu companies' self-reported subsidies, we have combined programs that had identical or nearly identical names, and which were received in the same year.
[151] *See* SAA at 870.
[152] *Id*.
[153] *Id*. at 869-870.
[154] *See* section 776(d) of the Act.

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.[155]

In the absence of record evidence concerning the non-responsive company's usage of the subsidy programs at issue due to their decision not to participate in the investigation, we have reviewed the information concerning Chinese subsidy programs in other cases. 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 investigation. The relevance of these rates is that they are actual calculated subsidy rates for Chinese programs, from which the non-responsive company could actually receive a benefit. Due to the lack of participation by the company and the resulting lack of record information concerning these programs, we have corroborated the rates we selected to use as AFA to the extent practicable for this preliminary determination.

C. Application of AFA: Export Buyer's Credit Program

As discussed below under the section "Programs Preliminarily Determined 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 Credit program because the GOC did not provide the requested information needed to allow Commerce to fully analyze this program.

In our Initial 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 (China ExIm Bank) under the Buyer Credit Facility."[156] 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 Xingmin nor Zhejiang Jingu or their cross-owned companies or U.S. customers applied for, used, or benefited from this program during the POI. Therefore, the GOC understands that the {standard questions} appendix is not applicable."[157]

In our first supplemental questionnaire to the GOC, we again asked the GOC to respond to all items in the Standard Questions Appendix in addition to specific questions asking the GOC to

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[155] *See*, *e.g.*, *Fresh Cut Flowers from Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812 (February 22, 1996).
[156] *See* Initial Questionnaire at 5.
[157] *See* GOC IQR at II-16.

provide specific information, such as a list of partner/correspondent banks involved in the program and the interest rates established during the POI for financing provided under this program. Instead of providing the requested information, the GOC stated that our questions were "not applicable" because the respondents did not use this program.

We have information on the record that the program was revised in 2013 and includes the involvement of third-party banks.[158] When we asked the GOC to explain how these revisions affected the operation of the program, especially vis-a-vis eligibility for borrowing and approved lending institutions, the GOC was not responsive and merely claimed that none of the U.S. customers of the respondent companies used export buyer's credits.[159] As a result, we are missing information about the role of the state-owned banks with regard to financing this program, despite Commerce's numerous attempts to obtain this information. Specifically, Commerce requested a list of all partner/correspondent banks involved in disbursement of funds under the Export Buyer's Credit program.[160] In its supplemental questionnaire response, the GOC only continued to claim that none of the U.S. customers of the respondent companies used export buyer's credits from China ExIm Bank during the POI but failed to provide the list of banks or any disbursement information.[161] Instead of providing the list of banks which partner with China ExIm Bank to disburse funds as requested by Commerce, the GOC stated that "the GOC confirms that none of the respondent companies' U.S. customers obtained export buyer credits from the Export-Import Bank, other GOC-owned banks, or Chinese commercial banks during the POI. Therefore, this question is not applicable."[162] Without this information, Commerce determines that the information provided by the GOC on this program is insufficient to determine non-use and that our understanding on this program is incomplete with respect to third-party banks. As such, we recognized that we could not rely on information about this program provided by parties other than the GOC, *i.e.*, the respondents.

Moreover, record information originally indicated that for a business contract to be supported by the Export Buyer's Credit, the contract amount must be more than two million U.S. dollars.[163] However, subsequent information placed on the record indicates that the GOC revised this program in 2013 to eliminate this two million U.S. dollar contract minimum requirement.[164] We requested that the GOC provide original and translated copies of any laws, regulations or other governing documents regarding this alleged 2013 revision to the program.[165] In response, the GOC provided the following document: GOC 7th Supplemental Response in the Countervailing Duty Investigation of Certain Amorphous Silica Fabric from the People's Republic of China (ACCESS barcode: 3503880-01) (Export Buyer's Credit Supplemental Questionnaire

[158] *See* Letter to the GOC, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Supplemental Questionnaire," dated November 28, 2018 (November 28 GOC SQR).
[159] *See* GOC's SQR at 13-14.
[160] *See* November 28 GOC SQR.
[161] *See* GOC's SQR at 14.
[162] *Id*.
[163] *See* GOC's IQR at Exhibit LOAN-13.
[164] *See* GOC's IQR at Exhibit LOAN-15.
[165] *See* Initial QR at 5-6.

Response).[166] However, this document was not responsive to our question and did not include any information regarding the 2013 program revision, which is necessary for Commerce to analyze how the program functions.[167]

In sum, the GOC has not provided necessary information with respect to (1) whether it uses third-party banks to disburse/settle Export Buyer's Credits, (2) the interest rates it used during the POI,[168] and (3) whether the China ExIm Bank limits the provision of Export Buyer's Credits to business contracts exceeding USD 2 million. Such information is critical to understanding how Export Buyers Credits flow to/from foreign buyers and the China ExIm Bank. The nature of the GOC's responses to Commerce's information requests indicate that any further attempts to request this necessary information again from the GOC would be futile. Without understanding how this program works since the 2013 revisions, Commerce cannot analyze the program to understand how the disbursements flow, and therefore the GOC's and the respondents' claims of non-use of this program are not verifiable.[169] 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.[170]

Therefore, we preliminarily find that necessary information from the GOC is missing from the record because the GOC has withheld that information, thereby impeding this investigation, and also not cooperating to the best of its ability. As a result, we find that application of AFA is warranted, and, as AFA, we find that the respondents used and benefited from this program, despite their claims of non-use and submissions of certifications of non-use from the respondents' customers.[171] Although we have accepted similar certifications of non-use from the respondents' customers to determine countervailability in prior reviews, this was when we understood how the program ran prior to the 2013 amendments.[172] Since learning about the amendments, Commerce has specifically stated that we intended in future proceedings to continue requesting the GOC's cooperation on this program, and we would base subsequent evaluations of this program on the record developed in the relevant proceeding.[173] Therefore, to

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[166] *See* GOC's IQR at Exhibit LOAN-13 through LOAN-15.
[167] *Id.* at II-17.
[168] *Id.*
[169] The CIT recently sustained our finding that "only the GOC, and in particular the {China} Ex-Im, could provide and verify the information needed to determine whether a benefit was conferred to Respondents during the POI from the Export Buyer's Credit Program." *See Changzhou Trina Solar Energy Co. v. United States*, 195 F. Supp. 3d 1334, 1355 (CIT 2016).
[170] *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 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).
[171] *See* Zhejiang Jingu's IQR at A-17, where it indicated it was providing declarations only for certain unaffiliated customers.
[172] *See* GOC's IQR at Exhibit LOAN-15.
[173] *See, e.g., Chlorinated Isocyanurates from the People's Republic of China: Final Results of Countervailing Duty Administrative Review, and Partial Rescission of Countervailing Duty Administrative Review; 2014*, 82 FR 27466 (June 15, 2017) and accompanying IDM at 13 (citing *Countervailing Duty Investigation of Certain Crystalline Silicon Photovoltaic Products from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 76962 (December 23, 2014) and accompanying IDM at Comment 1).

fully analyze whether the current program runs in the same manner, as we have discussed in prior segments of this proceeding and also in other proceedings investigating this program,[174] 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.

Pursuant to section 776(a)(1) of the Act when necessary information is not available on the record and pursuant to sections (2)(A) and (C) of the Act, when an interested party withholds information requested by Commerce and significantly impedes a proceeding, Commerce uses facts otherwise available to reach a determination. Here, the record is missing necessary information because the GOC withheld the requested information described above, thereby impeding this proceeding. Accordingly, we preliminarily determine that the use of facts available is warranted based on the record. Further, pursuant to section 776(b) of the Act, we find that the GOC, by virtue of its withholding information and significantly impeding this proceeding, failed to cooperate by not acting to the best of its ability. Accordingly, we find that 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.

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.[175]

D. Application of AFA: Provision of HRS Inputs for LTAR

As discussed below under "Programs Found to Be Countervailable," Commerce examined whether the GOC provided HRS to the respondent for LTAR.

GOC – Whether the Provision of HRS is Specific

For purposes of Commerce's *de facto* specificity analysis, we asked the GOC to provide a list of industries that purchase HRS in China.[176] In response to our questions concerning specificity, the GOC contends that the provision of HRS is not specific, stating that "{t}he GOC does not collect official data regarding the industries in China that purchase or consume the HRS directly."[177] The GOC further contends that there are "a vast number of uses for hot-rolled steel

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[174] *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) and accompanying IDM at Comments 2 through 6.
[175] *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 (November 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").
[176] *See* Initial Questionnaire at 9.
[177] *See, e.g.,* GOC's IQR at 33.

{and that the} types of consumers that may purchase hot-rolled steel are highly varied within the economy."[178] Moreover, the GOC explains that the selling price of HRS is determined by negotiations between the seller and the buyer according to market principles.[179] Further, the GOC stated that it does not impose any limitation on the consumption of these inputs and that the input producers are free to sell their product to any purchaser and at any price.[180]

These contentions notwithstanding, Commerce also requested that the GOC "{p}rovide 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."[181] The GOC did not provide this requested information for HRS inputs purchased by the certain steel wheel industry, instead stating that "{t}he GOC does not collect official data regarding the industries in China that purchase or consume the hot-rolled steel directly {and that} no hot-rolled steel producer compiles its sales volume and value 'by the industry in which the mandatory respondent companies operate, as well as the totals purchased by every other industry.'"[182] While the GOC provided some information, such as excerpts from various sources that identify which industries produce steel and which industries use steel in China,[183] this information is insufficient because it does not include relevant data regarding the industries in China that actually purchased HRS, nor does it include the volume or the value of the industry's purchases for the POI and the prior two years, as we requested.[184]

Consequently, consistent with past proceedings,[185] we preliminarily determine that necessary information is not available on the record. Moreover, the GOC withheld information that was requested, and, as a result, 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.

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. Consequently, we preliminarily determine that an adverse inference is warranted in the application of facts available.[186] In drawing an adverse inference, we find that the purchasers of HRS provided for LTAR are limited in number within the meaning of section 771(5A)(D)(iii)(I) of the Act. We note that that Commerce has previously found a similar program (*i.e.*, the provision of hot-rolled/cold-rolled coiled steel) is only provided to steel consuming industries, and thus, is only provided to a limited number of industries.[187]

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[178] *Id*.
[179] *Id*. at 34.
[180] *Id*.
[181] *See* Initial Questionnaire at 9.
[182] *See* GOC IQR at 33.
[183] *Id*. at 33-34.
[184] *See* Initial Questionnaire at 8.
[185] *See, e.g., Utility Scale Wind Towers from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 77 FR 33422 (June 6, 2012) (unchanged in *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 Final*)).
[186] *See* section 776(b) of the Act.
[187] *See Certain Tool Chests and Cabinets from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 82 FR 56582 (November 29, 2017), and accompanying IDM at Comment 4; *see also Cold-*

GOC – Whether the Hot-Rolled Steel Market is Distorted

We asked the GOC several questions regarding the structure of the HRS industry and the production and consumption of HRS during the POI and the prior two years.[188] Specifically, we requested information on the number of producers, the total volume and value of Chinese domestic consumption and production, the total volume and value of imports of the input, a list of the industries that purchase HRS, a discussion of the laws, plans or policies that address the pricing of HRS, and share of domestic production that is accounted for by companies in which the government maintains a majority ownership or a controlling management interest.

We request such information to inform our analysis of the degree of the GOC's presence in the market and whether such presence results in the distortion of prices. The GOC failed to provide the value of domestic production and the total volume and value of Chinese domestic consumption of HRS. Instead of providing the requested information, the GOC stated that the information was not available.[189] 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 China[190] and stated that it "is unable to address this question because the hot-rolled steel industry is very large, diversified, and dynamic in nature."[191] 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 HRS directly.[192] 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 production by enterprises producing input products.[193] Specifically, 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.[194] Based on this experience,

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Drawn Mechanical Tubing of Carbon and Alloy Steel from the People's Republic of China: Notice of Correction to Final Affirmative Countervailing Duty Determination, and Final Affirmative Determination of Critical Circumstances, in Part, 83 FR 351 (January 3, 2018), and accompanying IDM at Comment 3.

188 *See* Initial Questionnaire at 8-9.

189 *See* GOC's IQR at 22-26.

190 *Id*. at Exhibit HRS-7.

191 *Id*. at 29.

192 *Id*. at 24-25.

193 *See, e.g., Citric Acid and Certain Citrate Salts: Final Results of Countervailing Duty Administrative Review; 2013*, 80 FR 77318 (December 14, 2015), and accompanying IDM at Comment 2.

194 *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)).

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 a state-owned enterprise (SOE). Therefore, we determine that information related to the operation and ownership of companies within the HRS industry, and thus information regarding the domestic production and consumption levels of HRS, are in fact available to the GOC.

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 HRS 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.[195] 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 HRS 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.

We have also recently determined that the GOC exercises significant control and influence in the steel industry. Specifically, we noted that:

> {Commerce} finds that the record information indicates that China's steel industry is characterized by significant government ownership, control and intervention. This broad government intervention across the entire market, extending to all enterprises, coupled with {Commerce's} findings regarding the leading role for SIEs in the steel sector as envisioned and implemented by the GOC, distorts and diminishes the signals faced by all enterprises. Therefore, {Commerce} finds that based on the record of these proceedings, there are no potential benchmarks from the domestic industry that can be considered 'market based' in accordance with the SCM Agreement.[196]

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[195] *See* section 776(b) of the Act.

[196] *See* Memorandum, "Market Distortion Memorandum (contain memoranda and the final determination from "Section 129 Proceeding: United States – Countervailing Duty Measures on Certain Products from the People's Republic of China (WTO/DS437)." This memorandum was placed on the record concurrently with this preliminary determination. *See also Forged Steel Fittings from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 83 FR 50342 (October 5, 2018) and accompanying IDM at Comment 3.

Based on these facts together with the GOC's failure to provide requested information, as discussed above, we conclude that domestic prices in China for HRS are distorted such that they cannot be used as a tier one benchmark.

E. Application of AFA: Provision of Electricity for LTAR

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.[197] 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, Commerce should not keep an outdated view of the Chinese electricity market and the pricing system."[198] 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. 3105}," the NDRC no longer reviews, *i.e.*, approves, electricity pricing schedules submitted to it by the provinces.[199] 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

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[197] *See* Initial Questionnaire at Section II: Electricity Appendix.
[198] *See* GOC's IQR at II-44.
[199] *Id.* and Exhibits ELEC-4 and ELEC-13.

price departments develop and establish grid and electricity sales prices.[200] Consequently, 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.[201] Article 1 contained therein stipulates a lowering of the on-grid sales price of coal-fired electricity by an average amount per kilowatt hour.[202] 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."[203] Articles 3 and 4 specifically direct the reduction of the sales price of industrial and commercial electricity.[204] 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."[205] Lastly, Article 10 directs that, "{l}ocal price departments shall organize and arrange carefully to put in place the electricity price adjustment measures."[206]

NDRC Notice 3105, 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.[207] Consequently, both Notice 748 and Notice 3105 explicitly direct provinces to reduce prices and to report the enactment of those changes to the NDRC. Neither Notice 748 nor Notice 3105 explicitly stipulates that relevant provisional pricing authorities determine and issue electricity prices within their own jurisdictions, as the GOC states to be the case.[208] 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.[209]

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

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[200] *Id.*
[201] *Id.* at Exhibit ELEC-13.
[202] *Id.*
[203] *Id.*
[204] *Id.*
[205] *Id.*
[206] *Id.*
[207] *Id.* at Exhibit ELEC-4.
[208] *Id.* at Exhibits ELEC-4 and ELEC-13.
[209] *See, e.g.*, Notice 748 Article 10 (Exhibit ELEC-13) and Notice 3105 Articles II and X (Exhibit ELEC-4).

leading role. In addition, the provincial governments' roles in setting electricity prices are getting more independent and dynamic."[210] 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)."[211] 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."[212] 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."[213] In a supplemental questionnaire, we requested that the GOC explain how the NDRC monitors compliance with the price changes directed in Notice 748 and what action the NDRC would take were any province not to comply with the directed price changes. The GOC's response failed to explain what actions the NDRC would take in the event of non-compliance with a directed price change.[214] The GOC did note that "the electricity prices are determined by the provincial governments within their jurisdictions. The NDRC's role is to review the electricity pricing schedules submitted by the provincial governments."[215]

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, in accordance with sections 776(a)(1), (a)(2)(A), and (a)(2)(C) of the Act, that information necessary to our analysis of financial contribution and specificity is not available on the record, that the GOC withheld information requested by

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[210] *See* GOC's IQR at Exhibit ELEC-1 at 2.
[211] *Id.* at Exhibit ELEC-1 at 3 and ELEC-10.
[212] *Id.* at Exhibit ELEC-1 at 4.
[213] *Id.* at Exhibit ELEC-1 at 7; s*ee also* GOC's SQR at 16.
[214] *See* GOC's SQR at 17.
[215] *See* GOC's IQR at II-45.

Commerce, and that the GOC significantly impeded this proceeding. Thus, we must rely on "facts available" in making our preliminary determination.[216] We preliminarily determine, in accordance with section 776(b) of the Act, that the GOC failed to cooperate to the best of its ability to comply with our repeated requests for information. As a result, an adverse inference is warranted in the application of facts available.[217] In applying AFA, 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. We are also relying on AFA in selecting the benchmark for determining the existence and amount of the benefit.[218] The benchmark rates we selected are derived 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," below.

F. Application of AFA: State Special Fund for Promoting Key Industries and Innovation Technologies

G. Application of AFA: Export Contingent Grants Provided by the Fuyang City Government

H. Application of AFA: Investment Grants from Fuyang City Government for Key Industries

I. Application of AFA: Initial Public Offering (IPO) Grants from the City of Fuyang

Zhejiang Jingu reported that it had received direct government grants during the POI and over the AUL period in its initial questionnaire response.[219] The GOC did not provide complete responses to Commerce's questions regarding these alleged grants. These questions requested information needed to analyze the programs and determine whether the grants are specific within the meaning of section 771(5A)(B) of the Act and confer a financial contribution pursuant to section 771(5)(D) 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.[220] The GOC did not complete the appendices or provide any information as to how the programs operate beyond stating that Zhejiang Jingu received these grants over the AUL.[221] In a supplemental questionnaire, we again sought information on these programs by asking the GOC to complete the relevant appendices.[222] The GOC responded, "{t}he GOC also reported in its IQR that Zhejiang Jingu benefited from this alleged program during the AUL period…For further details, please refer to Zhejiang Jingu's IQR."[223]

The GOC was provided two opportunities to submit the information but failed to provide such information. Absent information from the GOC, Commerce must rely on "facts available" in making our preliminary determination. Pursuant to section 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

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[216] *See* section 776(a)(2)(A) of the Act.
[217] *See* section 776(b) of the Act.
[218] *See* section 776(b)(4) of the Act.
[219] *See* Zhejiang Jingu's IQR at A-50 and A-62; *see also* Zhejiang Jingu's SQR at Exhibits FSQ-19-3 and FSQ-19-8.
[220] *See* Initial Questionnaire at II.E. Grant Programs.
[221] *See* GOC's IQR at II-57 and II-60.
[222] *See* Letter to the GOC, "Countervailing Duty Investigation of Certain Steel Wheels 12 to 16.5 Inches in Diameter from the People's Republic of China: Supplemental Questionnaire," dated November 28, 2018, at 3.
[223] *See* GOC SQR at 20-22.

our requests for information. Consequently, an adverse inference is warranted in the application of facts available. In drawing an adverse inference, we find that these grants are specific within the meaning of section 771(5A) of the Act and confer a financial contribution in the form of a direct transfer of funds pursuant to section 771(5)(D)(i) of the Act. Additionally, we preliminarily determine that the program "Export Contingent Grants Provided by the Fuyang City Government" is specific within the meaning of section 771(5A)(B) of the Act. We determined that a benefit exists for each grant in the amount of the funds provided under 19 CFR 351.504. *See* below for details on the specific benefit calculation for each grant.

J. Application of AFA: Direct Government Grants to Zhejiang Jingu

Zhejiang Jingu reported that it had received direct government grants during the POI and over the AUL period in its initial questionnaire response.[224] As part of the Initial Questionnaire, we also requested the GOC provide information regarding direct government grants received by Zhejiang Jingu. The GOC responded that Zhejiang Jingu 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 Zhejiang Jingu's questionnaire response.[225] 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 it had already reported that Zhejiang Jingu benefited from this program during the POI or AUL, but provided none of the requested appendices.[226]

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.[227] Pursuant to section 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.[228] In drawing an adverse inference, we preliminarily find that these grants to Zhejiang Jingu constitute a financial contribution within the meaning of section 771(5)(D)(i) of the Act, and find these grants are specific within the meaning of section 771(5A) of the Act. Consistent with prior cases, we will use the grant amounts reported by Zhejiang Jingu to determine if benefits exist for each grant.[229]

XIV. Analysis of Programs

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

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[224] *See* Zhejiang Jingu's IQR at A-67.
[225] *See* GOC's IQR at II-61.
[226] *See* GOC's SQR at 22.
[227] *See* section 776(a)(2)(A) of the Act.
[228] *See* section 776(b) of the Act.
[229] *See Solar Cells from China Final*, and accompanying IDM at Comment 23.

A. Programs Preliminarily Determined to Be Countervailable

1. <u>Government Policy Lending Program</u>

The petitioner claims that preferential lending to the certain steel wheels industry is supported by the GOC through the issuance of catalogues of encouraged industries, national and provincial five-year plans, industrial plans, and other government laws and regulations. The plans, laws and regulations provide for "encouraged industries" to receive preferential financing.[230]

When examining a policy lending program, Commerce examines whether government plans or other policy directives lay out objectives or goals for developing the industry and call for lending to support such objectives or goals. Where such plans or policy directives exist, then it is our practice to find that a policy lending program exists that is *de jure* specific to the targeted industry (or producers that fall under that industry) within the meaning of section 771(5A)(D)(i) of the Act. If we make such a finding, we rely upon the analysis undertaken in *CFS from China* to further conclude that national and local government control over the SOCBs render the loans a government financial contribution.[231]

Record information indicates the GOC placed great emphasis on targeting the automotive industry, which includes the certain steel wheels industry for development throughout recent years. For example, in the *National 11th Five-Year Plan for Economic and Social Development (2006-2010)* (11th FYP), the GOC expresses its intention to support the "export of …high value added labour intensive products."[232] The 11th FYP sets forth the goal of promoting industrial restructuring and development in China and, in particular, "{g}uide enterprises to realize merger and recombination in competition and form several enterprises with the capacity of one million vehicles."[233] In order to achieve this goal, the 11th FYP prioritizes the "development of advanced manufacturing industry… {and} develop{ing} intensive processing and top class products."[234] In addition, the 11th FYP states that the GOC intends to "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."[235]

The provincial government of Zhejiang Province pursued the national economic development goals set forth by the GOC under the *11th Five-Year National and Economic Social Development Plan of Zhejiang Province* (Zhejiang 11th FYP), which supported the economic growth and "opening up" of the province by "speed{ing} up the 'going global' strategy, making good use of foreign markets and resources."[236]

The GOC continued its support of the certain steel wheels industry through the *12th Five-Year Outline of the Guidelines for National Economics and Social Development of the People's*

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[230] *See* Petition, Volume III at III-30 through III-36.
[231] *See CFS from China,* and accompanying IDM at Comment 8.
[232] *See* GOC IQR at Exhibit LOAN-6 at 11th FYP at 43.
[233] *Id*. at 11th FYP at 14.
[234] *Id*. at 11th FYP at 24.
[235] *Id*. at 11th FYP at 57.
[236] *Id*. at Exhibit LOAN-7 at Zhejiang Province 11th FYP at Section IX(3).

Republic of China (2011-15) (12th FYP), which states that the industrial restructuring and reorganization should be undertaken with the objective of "strengthen{ing} the R&D capability of complete vehicles, {and} realize the technical autonomy of key parts. . ."[237] In addition, the 12th FYP promotes the growth of "a number of advanced manufacturing bases with international competitiveness," using a regionally-based design to "develop modern industrial clusters with distinctive characteristics, a prominent brand image, and a sound service platform."[238] The 12th FYP seeks to maintain "current advantage{s} in export markets" while "{supporting} new advantages based on technology, branding, quality and service" to "extend the value-added chain in China."[239] Further, the 12th FYP seeks to create a "favorable environment to activate the development of SMEs… {by} increase{ing} the size and percentage of lending to SMEs, and broaden{ing} channels of direct financing."[240]

The current *National 13th Five-Year Plan of Economic and Social Development (2016-2020)* (13th FYP) continues these objectives, and calls for a focus on the automobile, among others, in order to "encourage more of China's equipment {and} technology… to go global by engaging in international cooperation on production capacity and equipment manufacturing through overseas investments, project contracting, technology cooperation, equipment exporting, and other means, with a focus on industries such as steel… {and} engineering machinery…"[241] The 13th FYP further encourages the "transform{ation} and upgrade {of} major manufacturing technologies and improv{ing} policies to support enterprises… thereby helping key manufacturing sectors move into the medium-high end {and} improv{ing} the supply of consumer goods.[242] To achieve this goal, the 13th FYP states support for the development of "specialized small and medium enterprises," such as downstream processors.[243] The 13th FYP promotes the development of "a number of competitive, well-known brands" through improvements in both product quality and product supervision.[244] Finally, the 13th FYP calls for lowering business costs by reducing taxes and fees, "maintain{ing} proper liquidity and interest rates," and extending credit by creating a "national financing guaranty fund."[245]

A key tool in the GOC's economic development plans is preferential lending. In the *10th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (2001-2005)* (10th FYP), the GOC established a goal "to reduce financing cost {by} utiliz{ing} the international commercial loans such as banking group loans."[246] The GOC continued to use preferential lending to pursue economic development goals through the 13th FYP, which sets a target of maintaining "proper liquidity and interest rates, creat{ing} new direct financing product suitable to the needs of enterprises, and establishing a national financing guaranty fund."[247]

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[237] *Id*. at Exhibit LOAN-6 at 12th Five-Year Plan at 10.
[238] *Id*. at 12th FYP at 10-11.
[239] *Id*. at 12th FYP at 59.
[240] *Id*. at 12th FYP at 11.
[241] *Id*. at 13th FYP at Chapter 49, Section 2, "International Cooperation on Production Capacity and Equipment Manufacturing."
[242] *Id*. at 13th FYP at Chapter 22, Section 3, "Transformation and Upgrading of Traditional Industries."
[243] *Id*.
[244] *Id*. at 13th FYP at Chapter 22, Section 4 "Quality and Brand Development."
[245] *Id*. at 13th FYP at Chapter 22, Section 6 "Lower Business Costs in the Real Economy."
[246] *Id*. at 10th FYP at 36.
[247] *Id*. at 13th FYP at Chapter 22, Section 6 "Lower Business Costs in the Real Economy."

Additional record evidence indicates financial support directed specifically toward certain encouraged industries, including the certain steel wheels industry. For example, the *Decision of the State Council on Promulgating the Interim Provisions Promoting Industrial Structure Adjustment for Implementation (Guo Fa {2005} No. 40)* (Decision 40) declares the need for the GOC "to formulate and enforce policies on public finance, taxation, credit, land, import and export, *etc.*" based on the directives established in industrial guidance catalogues.[248] Decision 40 indicates that the *Catalogue for the Guidance of Industrial Structure Adjustment* (2005) and the *Catalogue for the Guidance of Foreign Investment Industries* is an important basis for investment guidance and government administration of policies such as public finance, taxation, and credit."[249] Decision 40 further indicates that financial institutions "shall provide credit support in compliance with credit principles" to projects in "encouraged" industries.[250] The 2017 version of *Catalogue for the Guidance of Foreign Investment Industries* specifically includes the "{r}esearch, development and manufacturing of new types of light-weight and environment-friendly materials for . . . automobiles," a classification which appears to include subject merchandise, as encouraged.[251]

Thus, given the evidence demonstrating the GOC's objective of developing advanced manufacturing and bolstering the creation of light-weight and environment-friendly metal products for its automobile industry (of which certain steel wheels is a part), as well as promoting exports and the development of well-known brands, through preferential loans, we preliminarily determine there is a program of preferential policy lending specific to producers of certain steel wheels within the meaning of section 771(5A)(D)(i) of the Act. Additionally, we preliminarily find that loans from SOCBs under this program constitute financial contributions, pursuant to sections 771(5)(B)(i) and 771(5)(D)(i) of the Act, because SOCBs are "authorities."[252] The loans provide a benefit equal to the difference between what the recipients paid on their loans and the amount they would have paid on comparable commercial loans.[253]

Zhejiang Jingu reported loans from SOCBs for which it made interest payments during the POI.[254] Thus, to calculate whether Zhejiang Jingu received a benefit from this program, we compared the amount of interest Zhejiang Jingu 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 and Interest Rates" section above.[255] To calculate the net countervailable subsidy rate under this program we divided the benefit by the appropriate sales denominators, as described in the "Subsidies Valuation" section above.

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[248] *Id*. at Exhibit LOAN-10 at Decision 40 at 2.
[249] *Id*. at Exhibit LOAN-10 at Decision 40 at Article 17.
[250] *Id*.
[251] *See* Petition at Exhibit III-22 at 96.
[252] *See, e.g., CFS from China*, and accompanying IDM at Comment 1.
[253] *See* section 771(5)(E)(ii) of the Act and 19 CFR 351.505(a).
[254] *See* Zhejiang Jingu IQR at Exhibit 9; *see also* Zhejiang Jingu's SQR at Exhibit FSQ-9.
[255] *See* 19 CFR 351.505(c).

On this basis, we preliminarily determine a subsidy rate of 4.28 percent *ad valorem* for Zhejiang Jingu.[256]

2. Export Seller's Credit

The China ExIm Bank provides support to exporters through a variety of means, including the export seller's credit.[257] This program provides loans to Chinese companies to finance their exports of manufactured vessels, equipment, general mechanical and electronic products, and high and new-technology as well as agricultural products.[258] 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."[259]

Zhejiang Jingu 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 sections 771(5A)(A)-(B) of the Act.

To calculate the benefit under this program, we compared the amount of interest Zhejiang Jingu 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 and Interest Rates" section above. We divided the total benefit amount by the appropriate sales denominators, as described in the "Subsidies Valuation" section above.

On this basis, we preliminarily determine a subsidy rate of 0.53 percent *ad valorem* for Zhejiang Jingu.[260]

3. 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 Zhejiang Jingu 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

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[256] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[257] *See* Initiation Checklist at 13-14.
[258] *See* GOC's IQR at Exhibit LOAN-16.
[259] *Id*.
[260] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.

determine a countervailable subsidy rate of 10.54 percent *ad valorem* for Zhejiang Jingu, a rate calculated for the same or similar program in another CVD proceeding involving imports from China.[261]

4. Provision of Hot-Rolled Steel for LTAR

Commerce is examining whether the GOC or other "authorities" within China provided Zhejiang Jingu with HRS for LTAR. Zhejiang Jingu, Shandong Jingu, and An'Gang Jingu reported that they purchased HRS from unaffiliated parties during the POI.[262]

The GOC indicated that certain producers of HRS that provided inputs to respondents are majority-owned by the government.[263] As explained in the Public Body Memorandum, majority state-owned enterprises in China possess, exercise, or are vested with governmental authority.[264] The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector.[265] Therefore, we preliminarily determine that these entities constitute "authorities" within the meaning of section 771(5)(B) of the Act and that Zhejiang Jingu 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.[266]

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

Further, as discussed in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we have preliminarily determined, as AFA, that the domestic market for HRS is distorted through the intervention of the GOC. Thus, we are relying on an external benchmark for determining the benefit from the provision of HRS for LTAR under section 771(5)(E)(ii) of the Act. To derive the benchmark prices, we included ocean freight and inland freight that would be incurred to deliver inputs to the respondents' production facilities.[267] We also added to the benchmark prices the appropriate import duties applicable to imports of HRS into China, as

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[261] *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").
[262] *See* Zhejiang Jingu's IQR at Exhibits A-9, C-6, and D-6.
[263] *See* GOC IQR at Exhibit HRS-2 (the HRS producers that Zhejiang Jingu input suppliers purchased HRS from), and Exhibit HRS-3 (business registration for the HRS producers).
[264] *See* Memorandum, "Placement of Additional Information on the Record," dated concurrently with this memorandum, at Attachment 2.
[265] *Id*.
[266] *See, e.g., Certain Oil Country Tubular Goods from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 52301 (September 3, 2014), and accompanying IDM Memorandum at 48-50.
[267] *See* Zhejiang Jingu Preliminary Calculation Memorandum at Attachment 1.

provided by the GOC.[268] Additionally, we added the appropriate VAT of 17 percent to the benchmark prices.[269]

We compared these monthly benchmark prices to the purchase prices paid by Zhejiang Jingu, Shandong Jingu, and An'Gang Jingu for individual domestic transactions, including VAT and delivery charges. We determined the benefit as the difference between the benchmark prices and the prices reported. We divided the total benefits received by the appropriate sales denominators, as described in the "Subsidies Valuation" section above.

On this basis, we preliminarily determine a subsidy rate of 37.77 percent *ad valorem* for Zhejiang Jingu.[270]

5. Provision of Land Use Rights to Steel Wheel Producers

Commerce is examining whether the GOC has encouraged the development of the certain steel wheel industry through the provision of land for LTAR. Zhejiang Jingu reported purchasing land and land-use rights in the Fuyang District of Zhejiang Province through public auction or assignment through agreement, during the AUL period.[271]

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*).[272] The *Directory Catalogue on Readjustment of Industrial Structure* (*Guidance Catalogue*) specifically identifies high strength certain steel wheels as a key component of an automobile,[273] and is consistent with the GOC's Decision 40[274] regarding support for such industries through land policies. The 13th FYP identifies development goals for the region in which Zhejiang Jingu is located as including, "{w}e will accelerate the shift toward innovation driven development and work to make this region an internationally influential center of innovation. We will step up efforts to promote industrial upgrading, guide the development of emerging industries and modern service sectors, and create world-class manufacturing centers."[275]

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[268] *See* GOC's IQR at II-31 – II-32. 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*), and accompanying IDM at 90. In *Citric Acid from China; 2011 Review*, we utilized the Most Favored Nation import duty rate because it reflects the general tariff rate applicable to world trade.
[269] *See* GOC's IQR at II-31 – II-32.
[270] *See* Zhejiang Jingu Preliminary Calculation Memorandum.
[271] *See* Zhejiang Jingu's IQR at A-22 and Exhibit A-11.
[272] *See* GOC's IQR at Exhibit LOAN-11.
[273] *Id.* at Exhibit LOAN-8.
[274] *See* GOC's IQR at Exhibit LOAN-10 at Decision of the State Council on Promulgating the Interim Provisions Promoting Industrial Structure Adjustment for Implementation (2005) (Decision 40).
[275] *Id*. at Exhibit LOAN-6 at 13th FYP at Chapter 37, Section 4.

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."[276]

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."[277] 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.[278]

The provincial FYPs mirror the national FYPs' identification of land supply and financing as policy tools for economic development of encouraged industries. For example, the 13th FYP of Zhejiang calls for establishing an institutional mechanism leading to economic development by deepening, "…the reform of the compensated land-use system, comprehensively implementing the flexible annual transfer of industrial land, and accelerating the formation of a reasonable land price, income distribution and compensation mechanisms."[279] The 13th FYP specifically calls for the "build{ing} of high-level industrial clusters and characteristic towns…{for} the development of automobile and key parts industry."[280] The 12th FYP calls for "promoting the construction of business and trade agglomeration areas," and "{v}igourously developing…{and} cultivating large-scale commercial and trade circulation enterprises, accelerating the transformation and upgrading of commodity market, and striving to build a strong modern commerce circulation province," as well as "{i}mproving the linkage mechanism between key construction projects and supply of land."[281] The 12th FYP specifically lists the automobile industry as a "key industry."[282]

The GOC has identified the automobile industry for priority development in the *Guidance Catalogue*, which includes certain steel wheels, and the development of production technology within it, as encouraged.[283] Decision 40 identifies the *Guidance Catalogue* as "the important basis for guiding investment directions, and for governments to administer investment projects,

[276] *Id.* at Exhibit LOAN-6 at 12th FYP at Chapter 19, Section 2.
[277] *Id.* at Exhibit LOAN-6 at 11th FYP at Part 14, Chapter 47.
[278] *Id.* at Exhibit LOAN-6 at 11th FYP at Part 14, Chapter 19.
[279] *Id.* at Exhibit SQ-1, at 13th FYP of Zhejiang Province, Chapter 3.
[280] *See* GOC's SQR at Exhibit SQ-4 at 13th FYP of Zhejiang Province, Chapter V, Column 7(4).
[281] *See* GOC's SQR at Exhibit SQ-3 at 12th FYP of Zhejiang Province, Chapter II.
[282] *See* GOC's SQR at Exhibit SQ-4 at 12th FYP of Zhejiang Province, Chapter III, Column 2.
[283] *See* GOC's IQR at Exhibit LOAN-8.

to formulate and enforce policies on public finance, taxation, credit, land, import and export, etc."[284] 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.

The GOC has previously explained that Decision 40 provides for encouragement policies for the industries in the encouraged industry category, and, unless an industry is in the encouraged category, land or other policies are not directed to support those industries.[285] The GOC also submitted the "Notice of the Ministry of Land and Resources on Adjusting the Implementation Policy of the Minimum Price for Industrial Land Transfer" Guo Fa No.56 (2009) (Minimum Price for Land Transfer Notice), which allows for reduced reserve prices of land sales for industrial priority projects.[286] The Minimum Price for Land Transfer Notice clarifies that priority development of industries refers to industries that have been prioritized for development in local industry plans formulated in accordance with the *Guidance Catalogue*.[287]

As detailed above, national and provincial-level development plans provide for priority land supply and financing arrangements for priority development projects. National and provincial documents discussed above also consistently identify the automobile industry and high-technology industries as targets for economic development. We preliminarily find that the GOC's use of preferential pricing policies to develop the automobile sector at the national level, together with evidence of similar policies in the province where Zhejiang Jingu is located, indicates there is a program to provide land for LTAR to producers of certain 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 GOC'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 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

[284] *See* GOC's IQR at Exhibit LOAN-10, Chapter III.
[285] *See Common Alloy Aluminum Sheet From the People's Republic of China: Preliminary Affirmative Countervailing Duty (CVD) Determination, Alignment of Final CVD Determination With Final Antidumping Duty Determination, and Preliminary CVD Determination of Critical Circumstances*, 83 FR 17651 (April 23, 2018), and accompanying Preliminary Decision Memorandum at 47 (unchanged in *Countervailing Duty Investigation of Common Alloy Aluminum Sheet from the People's Republic of China: Final Affirmative Determination*, 83 FR 57427 (November 15, 2018)).
[286] *See* GOC 2SQR at Exhibit SQ-9.
[287] *Id*.

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 a subsidy rate of 1.50 percent *ad valorem* for Zhejiang Jingu.[288]

6. <u>Provision of Electricity for LTAR</u>

For the reasons explained above in the section "Use of Facts Otherwise Available and Adverse Inferences," we based our preliminary determination regarding the GOC's provision of electricity for LTAR on AFA. 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.

For determining 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," "general industry and commerce") and "base charge" (either maximum demand or transformer capacity) used by each company. Additionally, where applicable, we identified and applied the peak, normal, and valley rates within a category.

Consistent with our approach in *Wind Towers*, we first calculated each company's variable electricity costs by multiplying the monthly kilowatt hours (kWh) consumed at each price category (*e.g.*, peak, normal, and valley, where appropriate) by the corresponding electricity rates paid during each month of the POI.[289] 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 respective company during the POI from the monthly benchmark variable electricity costs.

To measure whether a company 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 the company by the corresponding consumption quantity. Next, we calculated the benchmark base rate cost by multiplying the company'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 company 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 each companies' variable electricity payments and base rate payments.[290] To calculate the net subsidy rate attributable to the company, we divided the benefit by the appropriate total sales denominator, as discussed in the "Subsidies Valuation" section.

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[288] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[289] *See Wind Towers from China Final* and accompanying IDM at 21-22.
[290] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.

On this basis, we preliminarily determine a net countervailable subsidy rate of 1.34 percent *ad valorem* for Zhejiang Jingu.[291]

7. <u>Income Tax Reductions for High-and New-Technology Enterprises (HNTEs)</u>

Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China and Article 93 of the Implementing Regulations for the Enterprise Income Tax Law of the People's Republic of China, a firm's income tax is reduced to a rate of 15 percent from the standard 25 percent rate, if an enterprise is recognized as a HNTE.[292] Zhejiang Jingu reported that it used this program.[293] Commerce has previously found this program to be countervailable in *Shrimp from China*, and no record evidence provided in the instant investigation warrants a change to this finding.[294]

Consistent with our determination in *Shrimp from China*, we preliminarily determine that the income tax reductions under the HNTE program are financial contributions in the form of revenue foregone by the GOC under section 771(5)(D)(ii) of the Act and confer a benefit to Zhejiang Jingu in the amount of the tax savings pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1). We further determine that the income tax reduction afforded by this program is limited as a matter of law to certain enterprises whose products are designated as being in "high-tech fields with state support," and, hence, is *de jure* specific, under section 771(5A)(D)(i) of the Act.

As provided under 19 CFR 351.509(a)(1) and (b)(1), we calculated the benefit as the difference between the taxes Zhejiang Jingu would have paid under the standard 25 percent tax rate and the taxes the company actually paid under the preferential 15 percent tax rate, as reflected on the tax return filed during the POI. We treated the tax savings as a recurring benefit, consistent with 19 CFR 351.524(c)(1). We then divided the POI benefit by the appropriate total sales denominator, as described in the "Attribution of Subsidies" section.

On this basis, we preliminarily determine a net countervailable subsidy rate of 0.27 percent *ad valorem* for Zhejiang Jingu.[295]

8. <u>Enterprise Income Tax Law, Research and Development (R&D) Program</u>

Under Article 30.1 of the Enterprise Income Tax Law, 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.[296] Article 95 of the *Implementing Regulations of the Enterprise Income Tax Law of China* (Decree 512 of the State Council, 2007) provides that, if eligible research expenditures do not "form part of the intangible assets value," an

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[291] *Id.*
[292] *See* GOC's IQR at Exhibits TAX-1 and TAX-4.
[293] *See* Zhejiang Jingu's SQR at FSQ-14 and Exhibit FSQ-1.
[294] *See e.g., Shrimp from China*.
[295] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[296] *See* GOC's IQR at Exhibit TAX-2.

additional 50 percent deduction from taxable income may be taken on top of the actual accrual amount.[297] Where these expenditures form the value of certain intangible assets, the expenditures may be amortized based on 150 percent of the intangible assets costs.[298] Zhejiang Jingu reported that it used this program.[299]

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.

To calculate the benefit from this program, we treated the tax deduction as a recurring benefit, consistent with 19 CFR 351.524(c)(1).[300] To compute the amount of the tax savings, we calculated the amount of tax Zhejiang Jingu 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 appropriate total sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determine a countervailable subsidy rate of 0.36 percent *ad valorem* for Zhejiang Jingu.[301]

9. Import Duty Exemptions for Imported Equipment

Circular 37 exempts foreign-invested enterprises (FIEs) and certain domestic enterprises from VAT and tariffs on imported equipment used in their production so long as the equipment does not fall into prescribed lists of non-eligible items, in order to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades.[302] Over the AUL, Zhejiang Jingu and An'Gang Jingu each reported receiving import duty exemptions under this program.[303] Commerce has previously found import duty exemptions under this program to confer countervailable subsidies.[304]

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[297] *Id.* II-48 and at Exhibits TAX-2 and TAX-4.
[298] *Id.*
[299] *See* Zhejiang Jingu's SQR at FSQ-15 and Exhibit FSQ-1.
[300] 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.*, *Certain Crystalline Silicon Photovoltaic Products from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 79 FR 33174 (June 10, 2014), and accompanying Preliminary Decision Memorandum at 34-35.
[301] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[302] *See* GOC's IQR at Exhibit TAX-8.
[303] *See* Zhejiang Jingu's IQR, at A-38.
[304] *See Aluminum Extrusions from China Final*, and accompanying IDM, at VII.D; *see also Wire Decking from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 32902 (June 10, 2010), and accompanying IDM at 25-27.

We preliminarily determine that import duty exemptions on imported equipment confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue foregone by the GOC and they provide a benefit to the recipient in the amount of import duty savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also preliminarily determine that the import duty exemptions afforded by the program are specific under section 771(5A)(D)(i) of the Act because the program is limited to certain enterprises, *i.e.*, certain enterprises identified as encouraged in GOC catalogues.

As the program provides a benefit tied to the capital structure of respondents (plant and equipment used for production), to calculate the countervailable subsidy, we used our standard methodology for non-recurring grants.[305] In the years that the benefits received by each company under this program did not exceed 0.5 percent of relevant sales for that year, we expensed those benefits in the years that they were received, pursuant to 19 CFR 351.524(b)(2). We used the discount rates described above in the section "Subsidies Valuation Information," to calculate the amount of the benefit allocable to the POI. We then divided the benefit amount by the appropriate total sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we determine a countervailable subsidy rate of 0.25 percent *ad valorem* for Zhejiang Jingu.[306]

10. State Special Fund for Promoting Key Industries and Innovation Technologies

Zhejiang Jingu reported receiving a one-time payment under this program during the AUL period.[307] Zhejiang Jingu reported that it received the funds on a one-time, non-recurring basis, from the NDRC and the Ministry of Industry and Information Technology.[308] The GOC did not provide any information as to how the program operates beyond stating that Zhejiang Jingu received funds under this program.[309]

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 this grant to be specific within the meaning of section 771(5A) of the Act. We determine that the funds 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.

Consistent with 19 CFR 351.524(c)(1), we are treating the grant received under this program as non-recurring. To measure the benefit of the grant that is allocable to the POI, we first conducted the "0.5 percent test" for the grant.[310] We divided the total amount approved by the relevant sales for that year. As a result, we found that the grant was greater than 0.5 percent of

[305] *See* 19 CFR 351.524(b) and (c).
[306] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[307] *See* Zhejiang Jingu's IQR at A-50 and A-52.
[308] *Id*. at A-50
[309] *See* GOC IQR at II-57.
[310] *See* 19 CFR 351.524(b)(2).

relevant sales and was properly allocated over the AUL. To calculate the countervailable subsidy rate, we divided the benefits attributable to the POI by the appropriate sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determined a net countervailable subsidy rate of 0.04 percent *ad valorem* for Zhejiang Jingu.[311]

11. Initial Public Offering (IPO) Grants from the City of Fuyang

Zhejiang Jingu reported receiving two separate, one-time, non-recurring grants under this program.[312] The GOC did not provide any information as to how the program operates.

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 this grant to be specific within the meaning of section 771(5A) of the Act. We determine that the funds 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.

Consistent with 19 CFR 351.524(c)(1), we are treating the grants received under this program as non-recurring. To measure the benefit of the grants that is allocable to the POI, we first conducted the "0.5 percent test" for the grants. We divided the total amount approved by the relevant sales for that year. As a result, we found that each grant was greater than 0.5 percent of relevant sales and was properly allocated over the AUL. To calculate the countervailable subsidy rate, we added together the benefits attributed to the POI, and then divided the benefits by the appropriate sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determined a net countervailable subsidy rate of 0.08 percent *ad valorem* for Zhejiang Jingu.[313]

12. Export Contingent Grants Provided by the Fuyang City Government

Zhejiang Jingu reported that it received a one-time, non-recurring grant under this program during the POI. According to Zhejiang Jingu, this program is contingent upon its export activities, and it was only available for companies located in the jurisdiction of Fuyang District.[314] The GOC did not provide any information as to how the program operates beyond stating that Zhejiang Jingu received a grant under this program.[315]

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 the program to be specific under section 771(5A)(B) of the Act. We determine that the

[311] *See* Zhejiang Jingu's IQR at A-57.
[312] *See* Zhejiang Jingu's SQR at Exhibit FSQ-19-3.
[313] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[314] *See* Zhejiang Jingu's SQR at Exhibit FSQ-19-8.
[315] *See* GOC IQR at II-60, and GOC's SQR at 20-21.

grant provided constitutes a financial contribution in the form of a direct transfer of funds pursuant to section 771(5)(D)(i) of the Act and confers a benefit in the amount of the funds provided under 19 CFR 351.504.

Consistent with 19 CFR 351.524(c)(1), we are treating the grant received under this program as non-recurring. To measure the benefit of the grant that is allocable to the POI, we first conducted the "0.5 percent test" for the grant.[316] We divided the total amount approved by the relevant sales for that year. As a result, we found that the grant was less than 0.5 percent of relevant sales and expensed the grant to the POI. To calculate the countervailable subsidy rate, we divided the benefits attributable to the POI by the appropriate sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determined a net countervailable subsidy rate of 0.09 percent *ad valorem* for Zhejiang Jingu.[317]

13. Investment Grants from Fuyang City Government for Key Industries

Zhejiang Jingu received non-recurring grants under this program during the AUL. Specifically, Zhejiang Jingu stated it applied for and received grants in one lump-sum in each of the following years: 2012, 2013 and 2014.[318] The GOC did not provide any information as to how the program operates beyond stating that Zhejiang Jingu received funds under this program.[319]

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 this grant to be specific within the meaning of section 771(5A) of the Act. We determine that the funds 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.

Consistent with 19 CFR 351.524(c)(1), we are treating the grants received under this program as non-recurring. To measure the benefit of the grants that is allocable to the POI, we first conducted the "0.5 percent test" for the grants. We divided the total amount approved by the relevant sales for that year. Where we found that a grant was greater than 0.5 percent of relevant sales, we allocated the benefit over the AUL. For those grants that did not pass 0.5 percent test, we expensed the benefit in the year the grant was received. To calculate the countervailable subsidy rate, we added together the benefits attributed to the POI, and then divided the benefits by the appropriate sales denominator, as discussed in the "Subsidies Valuation" section.

On this basis, we preliminarily determined a net countervailable subsidy rate of 0.23 percent *ad valorem* for Zhejiang Jingu.[320]

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[316] *See* 19 CFR 351.524(b)(2).
[317] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.
[318] *See* Zhejiang Jingu's IQR at A-62.
[319] *See* GOC IQR at II-60.
[320] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.

14. Direct Government Grants to Zhejiang Jingu

Zhejiang Jingu 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 Zhejiang Jingu.[321] 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 amount of each grant that is allocated to the POI 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 Zhejiang Jingu 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 1.02 percent *ad valorem* for Zhejiang Jingu.[322]

B. Programs Preliminarily Determined Not to Confer a Measurable Benefit

The Jingu companies reported receiving benefits under various programs, some of which Commerce initiated on and others that the companies self-reported.[323] Based on the record evidence, we preliminarily determine that the benefits from certain programs were fully expensed prior to the POI or, if allocable to the POI, are less than 0.005 percent *ad valorem* when attributed to the applicable sales as discussed in the "Attribution of Subsidies" section above. Consistent with Commerce's practice,[324] we have not included those programs in our

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[321] *See* Zhejiang Jingu SQR at Exhibits FSQ-19-B through Exhibit FSQ-19-E.

[322] *See* Zhejiang Jingu's Preliminary Analysis Memorandum.

[323] *See* Zhejiang Jingu's SQR at Exhibit FSQ-19.

[324] *See e.g.*, *CFS from China*, and accompanying IDM at "Analysis of Programs, Programs Determined Not To Have Been Used or Not To Have Provided Benefits During the POI for GE;" *2012 Steel Wheels Final* and accompanying IDM at "Income Tax Reductions for Firms Located in the Shanghai Pudong New District;" *Aluminum Extrusions from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2010 and 2011*, 79 FR 106 (January 2, 2014), and accompanying IDM at "Programs Used By the Alnan Companies;" and *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from the Russian Federation: Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination*, 81 FR 49935 (July 29, 2016), and accompanying IDM at "Tax Deduction for Research and Development Expenses."

preliminary subsidy rate calculation for Zhejiang Jingu. Full lists of these self-reported programs are contained in the respondent's calculation memorandum, and are provided in the AFA calculation in the Appendix.

- Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment[325]
- Famous Brands Program[326]
- Grants for Export Credit Insurance[327]
- The Clean Production Technology Fund[328]
- Initial Public Offering Grants from the Hangzhou Prefecture[329]
- Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes[330]
- Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers[331]
- Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award[332]
- Fuyang City Government Grants Under the Export of Sub-Contract Services Program[333]

C. Programs Preliminarily Determined to Be Not Used

- Preferential Loans to State-Owned Enterprises (SOEs)
- Discounted Loans for Export-Oriented Enterprises
- Preferential Loans for Key Projects and Technologies
- Treasury Bond
- Loans & Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- Export Credit Insurance Subsidies
- Export Credit Guarantees
- Government Provision of Land to SOEs
- Provision of Land for LTAR to Foreign-Invested Enterprises (FIEs)
- Provision of Land-Use Rights in Certain Industrial and Other Special Economic Zones
- Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs
- Fixed Assets Investment Orientation Regulatory Tax Reduction or Exemption
- Income Tax Reduction for Advanced Technology FIEs
- Preferential Income Tax Policy for Enterprises in the Northeast Region
- Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China
- VAT Exemptions for Imported Equipment

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[325] *See* Zhejiang Jingu's SQR at FSQ-2 and Exhibit FSQ-2.
[326] *See* Zhejiang Jingu's SQR at Exhibit FSQ-19-A-1.
[327] *See* Zhejiang Jingu's IQR at A-17; *see also* Zhejiang Jingu's SQR at Exhibit FSQ-19-E.
[328] *See* Zhejiang Jingu's IQR at A-45.
[329] *See* Zhejiang Jingu's SQR at Exhibit FSQ-19-A-2.
[330] *Id.* at Exhibit FSQ-19-A-4.
[331] *Id.* at Exhibit FSQ-19-A-5.
[332] *Id.* at Exhibit FSQ-19-A-6.
[333] *Id.* at Exhibit FSQ-19-A-7.

- VAT Refunds for FIEs On Purchases of Chinese-Made Equipment
- VAT Exemptions and Deductions for Northeast Region
- Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
- SME International Market Exploration Fund
- Export Assistance Grants
- Export Interest Subsidies for Enterprises Located in Zhejiang Province
- Foreign Trade Development Fund Program Grants
- Special Fund for Energy-Saving Technology Reform
- Emission Reduction Award
- State Key Technology Renovation Project Fund Program
- Direct Government Grants to Changchun Faway
- Direct Government Grants to Xiamen Sunrise
- Direct Government Grants to Xingmin Intelligent Transportation

XV. 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 Zhejiang Jingu. Consequently, we are assigning the rate calculated for Zhejiang Jingu as the "all-others" rate (*i.e.*, 58.30 percent *ad valorem*).

XVI. 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.

XVII. 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.[334] 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

[334] *See* 19 CFR 351.224(b).

(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.[335] Case briefs or other written comments on scope issues may be submitted no later than 30 days after the publication of the AD preliminary determination in the *Federal Register*, and rebuttal briefs, limited to issues raised in the case briefs, may be 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.[336] 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*.[337] 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.[338] Electronically filed documents must be received successfully in their entirety by 5:00 p.m. Eastern Time, on the due dates established above.[339]

XVIII. Verification

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

[335] *See* 19 CFR 351.309(c)-(d); *see also* 19 CFR 351.303 (for general filing requirements).
[336] *See* 19 CFR 351.309(c)(2) and (d)(2).
[337] *See* 19 CFR 351.310(c).
[338] *See* 19 CFR 351.303(b)(2)(i).
[339] *See* 19 CFR 351.303(b)(1).

XIX. Recommendation

We recommend that you approve the preliminary findings described above.

☒ ☐

Agree Disagree

2/14/2019

X

Signed by: GARY TAVERMAN

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

Appendix

Program Name	Rate	Source
Preferential Lending		
Government Policy Lending Program	4.28%	Rate Calculated for Zhejiang Jingu
Preferential Loans to State-Owned Enterprises (SOEs)	10.54%	*See Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201 (November 17, 2010) (*Coated Paper from China*)
Discounted Loans for Export-Oriented Enterprises	10.54%	*Coated Paper from China*
Preferential Loans for Key Projects and Technologies	10.54%	*Coated Paper from China*
Treasury Bond Loans	10.54%	*Coated Paper from China*
Loans & Interest Subsidies Provided Pursuant to The Northeast Revitalization Program	10.54%	*Coated Paper from China*
Export Credit Subsidies		
Export Seller's Credit	0.53%	Rate Calculated for Zhejiang Jingu
Export Buyer's Credit	10.54%	*Coated Paper from China*
Export Credit Insurance Subsidies	10.54%	*Coated Paper from China*
Export Credit Guarantees	10.54%	*Coated Paper from China*
Provision of Goods and Services for Less Than Adequate Remuneration (LTAR)		
Provision of Hot-Rolled Steel For LTAR	37.77%	Rate Calculated for Zhejiang Jingu
Provision of Land-Use Rights to Steel Wheel Producers	1.50%	Rate Calculated for Zhejiang Jingu

Government Provision of Land to SOEs	5.24%	*See Countervailing Duty Investigation of Certain Hardwood Plywood Products from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 53473 (November 16, 2017) (*Hardwood Plywood*).
Provision of Land for LTAR To Foreign-Invested Enterprises (FIEs)	5.24%	*Hardwood Plywood*
Provision of Land-Use Rights in Certain Industrial and Other Special Economic Zones	5.24%	*Hardwood Plywood*
Provision of Electricity For LTAR	1.34%	Rate Calculated for Zhejiang Jingu
Direct Tax Exemptions and Reductions		
Income Tax Reductions for High-And New-Technology Enterprises (HNTEs)	0.27%	Rate Calculated for Zhejiang Jingu
Enterprise Income Tax Law, Research and Development (R&D) Program	0.36%	Rate Calculated for Zhejiang Jingu
Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs	1.68%	*Certain Steel Grating from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 32362, June 8, 2010 (*Steel Grating*).
Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment	1.68%	*Steel Grating* and accompanying IDM at 14.
Fixed Assets Investment Orientation Regulatory Tax Reduction or Exemption	9.71%	*See New Pneumatic Off-the-Road Tires from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review*, 75 FR 64268, 64275 (October 19, 2010) unchanged in *New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Results of Countervailing*

		Duty Administrative Review, 76 FR 23286 (April 26, 2011) (*OTR Tires from China*).
Income Tax Reduction for Advanced Technology FIEs	25.00%	The standard income tax rate for corporations in China during the period of investigation was 25 percent. Thus, the highest possible benefit for all income tax reduction or exemption programs combined is 25 percent. Accordingly, we are applying the 25 percent AFA rate on a combined basis (*i.e.*, finding that the three programs, combined, provide a 25 percent benefit)
Preferential Income Tax Policy for Enterprises in The Northeast Region		
Forgiveness of Tax Arrears for Enterprises Located in The Old Industrial Bases of Northeast China		
Indirect Tax Exemptions and Reductions		
Import Duty Exemptions for Imported Equipment	0.25%	Rate Calculated for Zhejiang Jingu
VAT Exemptions for Imported Equipment	9.71%	*OTR Tires from China*
VAT Refunds for FIEs On Purchases of Chinese-Made Equipment	9.71%	*OTR Tires from China*
VAT Exemptions and Deductions for Northeast Region	9.71%	*OTR Tires from China*
Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring	9.71%	*OTR Tires from China*
Grants		
Famous Brands Program	0.62%	*See Chlorinated Isocyanurates from the People's Republic of China: Final Results of Countervailing Duty Administrative Review, and Partial Rescission of Countervailing Duty Administrative Review; 2014*, 82 FR 27466 (June 15, 2017) (*Isos from China-2014*).

SME International Market Exploration Fund	0.62%	*Isos from China-2014*
Export Assistance Grants	0.62%	*Isos from China-2014*
Grants for Export Credit Insurance	0.62%	*Isos from China-2014*
Export Interest Subsidies for Enterprises Located in Zhejiang Province	0.62%	*Isos from China-2014*
Foreign Trade Development Fund Program Grants	0.62%	*Isos from China-2014*
Special Fund for Energy-Saving Technology Reform	0.62%	*Isos from China-2014*
The Clean Production Technology Fund	0.62%	*Isos from China-2014*
Emission Reduction Award	0.62%	*Isos from China-2014*
State Special Fund for Promoting Key Industries and Innovation Technologies	0.04%	Rate Calculated for Zhejiang Jingu
State Key Technology Renovation Project Fund Program	0.62%	*Isos from China-2014*
Initial Public Offering (IPO) Grants from the Hangzhou Prefecture	0.62%	*Isos from China-2014*
Initial Public Offering (IPO) Grants from the City of Fuyang	0.08%	Rate Calculated for Zhejiang Jingu
Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes	0.62%	*Isos from China-2014*
Fuyang And Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers	0.62%	*Isos from China-2014*
Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award	0.62%	*Isos from China-2014*
Fuyang City Government Grants Under the Export of Sub-Contract Services Program	0.62%	*Isos from China-2014*
Export Contingent Grants Provided by the Fuyang City Government	0.09%	Rate Calculated for Zhejiang Jingu

Investment Grants from Fuyang City Government for Key Industries	0.23%	Rate Calculated for Zhejiang Jingu
Direct Government Grants to Xingmin Intelligent Transportation	0.62%	*Isos from China-2014*
Self-Reported Subsidies		
Year 2017 Fuyang Fund - Industrial Projects	0.01%	Rate Calculated for Zhejiang Jingu
Year 2016 Fuyang Top Ten Emerging Enterprises Bonus	0.01%	Rate Calculated for Zhejiang Jingu
Year 2016 Zhejiang Govt' Bonus - Green Enterprise	0.01%	Rate Calculated for Zhejiang Jingu
Year 2017 Fuyang Fund - Standardization and Brand	0.01%	Rate Calculated for Zhejiang Jingu
Year 2016 Hangzhou Fund - Introducing foreign intelligence	0.01%	Rate Calculated for Zhejiang Jingu
Year 2017 Hangzhou Fund - Financing in Capital Markets	0.01%	Rate Calculated for Zhejiang Jingu
High-tech Subsidy	0.01%	Rate Calculated for Zhejiang Jingu
Year 2016 Fuyang Fund - Finance & others	0.01%	Rate Calculated for Zhejiang Jingu
Year 2106 Hangzhou Fund - Factory Internet of Things	0.02%	Rate Calculated for Zhejiang Jingu
Year 2013 Fuyang Fund - Industry upgrade and tech renovation	0.05%	Rate Calculated for Zhejiang Jingu
Benefit derived from land-use tax relief	0.06%	Rate Calculated for Zhejiang Jingu
Year 2015 Hangzhou Fund - key and innovative projects	0.07%	Rate Calculated for Zhejiang Jingu
Year 2017 Fuyang Fund - R&D Funding	0.07%	Rate Calculated for Zhejiang Jingu
Year 2015 Fuyang Industrial Enterprise Tax Payers Award	0.08%	Rate Calculated for Zhejiang Jingu
Year 2015 Fuyang Fund - key industries and robotics projects	0.11%	Rate Calculated for Zhejiang Jingu
Year 2016 Fuyang Industrial Enterprise Tax Payers Award	0.11%	Rate Calculated for Zhejiang Jingu
Fuyang Gov't Grant Specific to Zhejiang Jingu in 2017	N/A	Rate Calculated for Zhejiang Jingu
Year 2013 Hangzhou Fund - key and innovative projects	0.12%	Rate Calculated for Zhejiang Jingu

Fuyang Gov't Direct Grant to An'Gang Jingu	N/A	Rate Calculated for Zhejiang Jingu
Fuyang Fund - Patent	0.62%	*Isos from China-2014*
Fuyang Fund - Subsidy to Innovation Voucher	0.62%	*Isos from China-2014*
Year 2016 Hangzhou Fund - patent	0.62%	*Isos from China-2014*
Fuyang Fund - Energy Consumption Online Monitor	0.62%	*Isos from China-2014*
2008 Award	0.62%	*Isos from China-2014*
2008 Bonus	0.62%	*Isos from China-2014*
2008 High-tech Subsidy	0.62%	*Isos from China-2014*
2008 Patent Subsidy	0.62%	*Isos from China-2014*
2008 Tech Upgrade Subsidy	0.62%	*Isos from China-2014*
2008 Town Gov't Direct Grants	0.62%	*Isos from China-2014*
2009 Clean Production Fund	0.62%	*Isos from China-2014*
2009 Cycle Economy Award	0.62%	*Isos from China-2014*
2009 Employment Award	0.62%	*Isos from China-2014*
2009 High-tech Product Award	0.62%	*Isos from China-2014*
2009 HNTE Award	0.62%	*Isos from China-2014*
2009 Industrial Performance Award	0.62%	*Isos from China-2014*
2009 Patent Subsidy	0.62%	*Isos from China-2014*
2009 R&D Subsidy	0.62%	*Isos from China-2014*
2009 Tech Award	0.62%	*Isos from China-2014*
2009 Tech Renovation Award	0.62%	*Isos from China-2014*
2010 Direct grant	0.62%	*Isos from China-2014*
2011 Auto Industry Development Fund	0.62%	*Isos from China-2014*
2011 Direct grant	0.62%	*Isos from China-2014*
2011 Employment Award	0.62%	*Isos from China-2014*
2011 Environment Protection Subsidy	0.62%	*Isos from China-2014*
2011 Patent Subsidy	0.62%	*Isos from China-2014*
2011 Project Development Subsidy	0.62%	*Isos from China-2014*
2011 Surcharge Subsidy	0.62%	*Isos from China-2014*
2012 Direct Grant to Shandong Jingu	0.62%	*Isos from China-2014*
2012 Employment Subsidy	0.62%	*Isos from China-2014*
2012 Energy Award	0.62%	*Isos from China-2014*

2012 Environment Protection Subsidy	0.62%	*Isos from China-2014*
2012 Patent Award	0.62%	*Isos from China-2014*
2012 Patent Subsidy	0.62%	*Isos from China-2014*
2012 Surcharge Subsidy	0.62%	*Isos from China-2014*
2013 Deferred income	0.62%	*Isos from China-2014*
2013 Employment Subsidy	0.62%	*Isos from China-2014*
2013 Export Credit Insurance Subsidy	0.62%	*Isos from China-2014*
2013 Fair Trade Fund	0.62%	*Isos from China-2014*
2013 High-tech performance subsidy	0.62%	*Isos from China-2014*
2013 Introducing foreign intelligence subsidy	0.62%	*Isos from China-2014*
2013 IPO Award	0.62%	*Isos from China-2014*
2013 Key Industries & High-tech Innovation Subsidy	0.62%	*Isos from China-2014*
2013 Leading Enterprises Award	0.62%	*Isos from China-2014*
2013 Marketing subsidy	0.62%	*Isos from China-2014*
2013 Oversees Investment Award	0.62%	*Isos from China-2014*
2013 Patent Subsidy	0.62%	*Isos from China-2014*
2013 Project Development Subsidy	0.62%	*Isos from China-2014*
2013 R&D Subsidy	0.62%	*Isos from China-2014*
2013 Surcharge Subsidy	0.62%	*Isos from China-2014*
2013 Tax Payer Award	0.62%	*Isos from China-2014*
2013 Tech Upgrade Subsidy	0.62%	*Isos from China-2014*
2014 Credit Insurance Subsidy	0.62%	*Isos from China-2014*
2014 Deferred income	0.62%	*Isos from China-2014*
2014 Employment Subsidy	0.62%	*Isos from China-2014*
2014 Income tax deduction	0.62%	*Isos from China-2014*
2014 Land-use tax subsidy	0.62%	*Isos from China-2014*
2014 Leading Enterprises Award	0.62%	*Isos from China-2014*
2014 Marketing subsidy	0.62%	*Isos from China-2014*
2014 Patent Subsidy	0.62%	*Isos from China-2014*
2014 Project Development Subsidy	0.62%	*Isos from China-2014*
2014 Safe Production Award	0.62%	*Isos from China-2014*
2014 Service outsourcing award	0.62%	*Isos from China-2014*
2014 Surcharge Subsidy	0.62%	*Isos from China-2014*
2015 Deferred income	0.62%	*Isos from China-2014*
2015 Employment Subsidy	0.62%	*Isos from China-2014*

2015 Financing Award	0.62%	*Isos from China-2014*
2015 Introducing foreign intelligence subsidy	0.62%	*Isos from China-2014*
2015 Leading Enterprises Award	0.62%	*Isos from China-2014*
2015 Marketing subsidy	0.62%	*Isos from China-2014*
2015 Project Development Subsidy	0.62%	*Isos from China-2014*
2015 R&D Subsidy	0.62%	*Isos from China-2014*
2015 Safe Production Award	0.62%	*Isos from China-2014*
2015 Surcharge Subsidy	0.62%	*Isos from China-2014*
2016 Deferred income	0.62%	*Isos from China-2014*
2016 Employment Subsidy	0.62%	*Isos from China-2014*
2016 Financing Award	0.62%	*Isos from China-2014*
2016 Fuyang Fund - heating equipment subsidy	0.62%	*Isos from China-2014*
2016 High-tech development subsidy	0.62%	*Isos from China-2014*
2016 Leading Enterprises Award	0.62%	*Isos from China-2014*
2016 Open Economy Subsidy	0.62%	*Isos from China-2014*
2016 Patent Subsidy	0.62%	*Isos from China-2014*
2016 R&D Subsidy	0.62%	*Isos from China-2014*
2016 Surcharge Deduction/Exemption	0.62%	*Isos from China-2014*
2017 Employment Subsidy	0.62%	*Isos from China-2014*
40703 Project Tech Upgrade Fund	0.62%	*Isos from China-2014*
42674 Surcharge Refund	0.62%	*Isos from China-2014*
42699 Surcharge Refund	0.62%	*Isos from China-2014*
42704 Surcharge Refund	0.62%	*Isos from China-2014*
Fuyang Fund - heating equipment subsidy	0.62%	*Isos from China-2014*
Fuyang Fund - Industry cycling projects	0.62%	*Isos from China-2014*
Fuyang Fund - Pollution control	0.62%	*Isos from China-2014*
Year 2011 Hangzhou Funds - key industries	0.62%	*Isos from China-2014*
Year 2015 Fuyang Fund - Industry and Information Development	0.62%	*Isos from China-2014*
Project Tech Upgrade Fund	0.62%	*Isos from China-2014*

Total AFA Subsidy Rate: **293.27%**