



C-570-944
Administrative Review
POR: 1/1/2012 – 12/31/2012
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February 18, 2014

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh *CBM*
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of Countervailing
Duty Administrative Review: Certain Oil Country Tubular Goods
from the People's Republic of China

Summary

The Department of Commerce (Department) is conducting an administrative review of the countervailing duty (CVD) order on certain oil country tubular goods (OCTG) from the People's Republic of China (PRC). The period of review (POR) is January 1, 2012, through December 31, 2012. We preliminarily find that Wuxi Seamless Oil Pipe Co., Ltd. (WSP) and Jiangsu Chengde Steel Tube Share Co., Ltd. (Jiangsu Chengde) received countervailable subsidies during the POR.

Background

On January 20, 2010, the Department published its CVD order on OCTG from the PRC.¹ On January 3, 2013, we published a notice of "Opportunity to Request Administrative Review" for the CVD order for the calendar year 2012.² In accordance with 19 CFR 351.221(c)(1)(i), we published a notice initiating the review on February 28, 2013.³ On April 26, 2013, the Department selected WSP and Jiangsu Chengde as respondents for this review.⁴

¹ See *Certain Oil Country Tubular Goods From the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 3203 (January 20, 2010).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation: Opportunity To Request Administrative Review*, 78 FR 288 (January 3, 2013).

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 13631 (February 28, 2013).

⁴ See Department Memorandum, "Countervailing Duty Administrative Review: Certain Oil Country Tubular Goods from the People's Republic of China: Respondent Selection" (April 26, 2013).

We are conducting this administrative review in accordance with section 751(a)(1)(A) of the Tariff Act of 1930, as amended (the Act).

We issued the initial questionnaire to the Government of the PRC (GOC), WSP, and Jiangsu Chengde on May 2, 2013. The GOC, Jiangsu Chengde, and WSP submitted their responses to the Department's initial questionnaire on July 8, 2013,⁵ July 8, 2013,⁶ and June 24, 2013,⁷ respectively. We issued first supplemental questionnaires to Jiangsu Chengde, WSP, and the GOC on December 4, 2013, September 27, 2013, and December 6, 2013, respectively. Jiangsu Chengde filed its response on December 20, 2013,⁸ WSP on November 1, 2013,⁹ and the GOC on January 6, 2014.¹⁰ On November 8, 2013, WSP filed corrections to its WISR in response to a telephone call from Department officials.¹¹ We issued second supplemental questionnaire to WSP on November 8, 2013. WSP filed its response on December 6, 2013.¹²

On June 20, 2013, United States Steel Corporation (hereinafter, Petitioner) submitted new factual information.¹³ On July 29, 2013, Petitioner submitted new subsidy allegations,¹⁴ and on August 30, 2013, Petitioner requested the Department investigate whether WSP and its reporting cross-owned affiliates Bazhou Seamless Oil Pipes Co. Ltd. (Bazhou), Liaoyang Seamless Oil Pipes Co. Ltd. (Liaoyang), Mengfeng Special Steel Co. Ltd. (Mengfeng), and Songyuan Seamless Oil Pipes Co. Ltd. (Songyuan) (collectively "WSP Companies") were uncreditworthy during the period of 2009 through 2012.¹⁵

Based on Petitioner's NSA Letter, the Department initiated on new subsidy allegations on December 3, 2013.¹⁶ Based on Petitioner's Uncreditworthiness Letter, on January 8, 2014, the Department initiated an investigation of the creditworthiness of the WSP Companies during the

⁵ See Letter from the GOC to the Department, "Oil Country Tubular Goods from China; 3rd CVD Administrative Review GOC Initial CVD Response" (July 8, 2013) (GQR).

⁶ See Letter from Jiangsu Chengde to the Department, "Oil Country Tubular Goods from the People's Republic of China, Second Administrative Review (C-570-944): Initial Questionnaire Response" (July 8, 2013) (CQR).

⁷ See Letter from WSP to the Department, "Certain Oil Country Tubular Goods From The People's Republic of China: Countervailing Duty Questionnaire Response" (June 24, 2013) (WQR); see also concurrently dated initial questionnaire responses from Liaoyang (LQR), Bazhou (BQR), Mengfeng (MQR), and Songyuan (SQR).

⁸ See Letter from Jiangsu Chengde to the Department, "Oil Country Tubular Goods from the People's Republic of China, Third Administrative Review (C-570-944): Supplemental Questionnaire Response" (December 20, 2013).

⁹ See Letter from WSP to the Department, "Certain Oil Country Tubular Goods from the People's Republic of China: Supplemental Countervailing Duty Questionnaire Response" (November 1, 2013) (WISR).

¹⁰ See Letter from the GOC to the Department, "Oil Country Tubular Goods from China; 3rd CVD Administrative Review GOC 1st Supplemental Response" (January 6, 2014) (G1SR).

¹¹ See Letter from WSP to the Department, "Certain Oil Country Tubular Goods from The People's Republic of China: Corrections to Supplemental Countervailing Duty Questionnaire Response" (November 8, 2013) (WISR Corrections); see also Memorandum to the File, "Phone Conversations with Counsel for Wuxi Seamless Oil Pipe Co., Ltd. ("WSP") Regarding WSP's First Supplemental Questionnaire Response" (November 14, 2013).

¹² See Letter from WSP to the Department, "Certain Oil Country Tubular Goods from the People's Republic of China: Second Supplemental Questionnaire Responses" (December 6, 2013).

¹³ See Letter from Petitioner to the Department, "Oil Country Tubular Goods from the People's Republic of China" (June 20, 2013) (NFI Submission).

¹⁴ See Letter from Petitioner to the Department, "Certain Oil Country Tubular Goods from the People's Republic of China" (July 29, 2013) (NSA Letter).

¹⁵ See Letter from Petitioner to the Department, "Certain Oil Country Tubular Goods from the People's Republic of China" (August 30, 2013) (Uncreditworthiness Letter).

¹⁶ See Memorandum to Thomas Gilgunn, "New Subsidy Allegations" (December 3, 2013).

POR.¹⁷ On December 6, 2013, new subsidy allegation questionnaires were issued to the GOC, Jiangsu Chengde, and WSP. Jiangsu Chengde filed its response on December 20, 2013,¹⁸ and the GOC on January 6, 2014.¹⁹ No response was received from WSP by the deadline specified. We issued a third supplemental questionnaire to WSP (containing only questions related to the creditworthiness allegation) on January 15, 2014, and did not receive a response from WSP by the deadline specified.²⁰ We issued a supplemental questionnaire to the GOC regarding its GNSAR. This response is currently due on February 24, 2014.

On August 20, 2013, the Department extended the time limit for completion of these preliminary results by 120 days to no later than January 31, 2014, in accordance with section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2).²¹ Subsequent to this, as explained in the memorandum from the Assistant Secretary for Enforcement and Compliance, the Department exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 1, through October 16, 2013.²² Therefore, all deadlines in this segment of the proceeding were extended by 16 days. If the new deadline falls on a non-business day, in accordance with the Department's practice, the deadline will become the next business day. The revised deadline for the preliminary results of this review is now February 18, 2014.

Scope of the Order

The merchandise covered by the order consists of certain oil country tubular goods (OCTG), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.*, whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the order also covers OCTG coupling stock. Excluded from the scope of the order are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

¹⁷ See Memorandum to Thomas Gilgunn, "Uncreditworthiness Allegation for Wuxi Seamless Oil Pipe Co., Ltd., Liaoyang Seamless Oil Pipes Co., Ltd., Mengfeng Special Steel Co., Ltd., Songyuan Seamless Oil Pipe Co., Ltd., and Bazhou Seamless Oil Pipe Co., Ltd." (January 8, 2014).

¹⁸ See Letter from Jiangsu Chengde to the Department, "Oil Country Tubular Goods from the People's Republic of China, Third Administrative Review (C-570-944): New Subsidy Allegations Questionnaire Response" (December 20, 2013).

¹⁹ See Letter from the GOC to the Department, "Oil Country Tubular Goods from China; 3rd CVD Administrative Review GOC NSA Response" (January 6, 2014) (GNSAR).

²⁰ Subsequent to these deadlines, on February 7, 2014, WSP submitted a letter requesting an untimely extension of the deadlines to the NSA questionnaire and the third supplemental questionnaire or that the Department reissue those questionnaires after the preliminary results. We will respond to WSP's request separately.

²¹ See Memorandum to Gary Taverman, Senior Advisor for Antidumping and Countervailing Duty Operations, "Certain Oil Country Tubular Goods from the People's Republic of China: Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review" (August 20, 2013).

²² See Memorandum for the Record from Paul Piquado, Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Shutdown of the Federal Government" (October 18, 2013).

The merchandise covered by the order is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers:

7304.29.1010, 7304.29.1020, 7304.29.1030, 7304.29.1040, 7304.29.1050, 7304.29.1060, 7304.29.1080, 7304.29.2010, 7304.29.2020, 7304.29.2030, 7304.29.2040, 7304.29.2050, 7304.29.2060, 7304.29.2080, 7304.29.3110, 7304.29.3120, 7304.29.3130, 7304.29.3140, 7304.29.3150, 7304.29.3160, 7304.29.3180, 7304.29.4110, 7304.29.4120, 7304.29.4130, 7304.29.4140, 7304.29.4150, 7304.29.4160, 7304.29.4180, 7304.29.5015, 7304.29.5030, 7304.29.5045, 7304.29.5060, 7304.29.5075, 7304.29.6115, 7304.29.6130, 7304.29.6145, 7304.29.6160, 7304.29.6175, 7305.20.2000, 7305.20.4000, 7305.20.6000, 7305.20.8000, 7306.29.1030, 7306.29.1090, 7306.29.2000, 7306.29.3100, 7306.29.4100, 7306.29.6010, 7306.29.6050, 7306.29.8110, and 7306.29.8150.

The OCTG coupling stock covered by the order may also enter under the following HTSUS item numbers:

7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.39.0062, 7304.39.0068, 7304.39.0072, 7304.39.0076, 7304.39.0080, 7304.59.6000, 7304.59.8015, 7304.59.8020, 7304.59.8025, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050, 7304.59.8055, 7304.59.8060, 7304.59.8065, 7304.59.8070, and 7304.59.8080.

The HTSUS subheadings are provided for convenience and customs purposes only, the written description of the scope of the order is dispositive.

Subsidies Valuation Information

Allocation Period

The average useful life period in this proceeding, as described in 19 CFR 351.524(d)(2), is 15 years according to the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System, as revised.²³ No party in this proceeding has disputed this allocation period.

Consistent with other PRC CVD determinations, we continue to find that it is appropriate and administratively desirable to identify a uniform date from which the Department will identify and measure subsidies in the PRC for purposes of the CVD law, and have adopted December 11, 2001, the date on which the PRC became a member of the World Trade Organization, as that date.

Attribution of Subsidies

The Department's regulations at 19 CFR 351.525(b)(6)(i) state that the Department will normally attribute a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) directs that the Department will attribute

²³ See U.S. Internal Revenue Service Publication 946 (2008), *How to Depreciate Property*, at Table B-2: Table of Class Lives and Recovery Periods, publicly available at <http://www.irs.gov/publications/p946/ar02.html>.

subsidies received by certain other companies to the combined sales of the recipient and other companies if: (1) cross-ownership exists between the companies; and (2) the cross-owned companies produce the subject merchandise, are a holding or parent company of the subject company, produce an input that is primarily dedicated to the production of the downstream product, or transfer a subsidy to a cross-owned company.

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

the 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.²⁴

Thus, the Department's regulations make clear that the agency must look at the facts presented in each case in determining whether cross-ownership exists.

The U.S. Court of International Trade (CIT) has upheld the Department's authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.²⁵

a. Jiangsu Chengde

Jiangsu Chengde was founded in 1998 as a joint stock limited company. In 2005, it was converted into a privately-owned company whose ownership was divided between a number of individuals.²⁶ The company reported several affiliates but claimed that none were cross-owned within the meaning of 19 CFR 351.525(b)(6) and that none were involved in the production or

²⁴ See *Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998).

²⁵ See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

²⁶ See CQR at 7.

sale of subject merchandise during the POR.²⁷ Accordingly, Jiangsu Chengde responded on behalf of itself in this proceeding.²⁸

Therefore, for the preliminary results, we have attributed subsidies to Jiangsu Chengde solely to Jiangsu Chengde's sales.

b. WSP

WSP was established on November 17, 1999, in Jiangsu Province, PRC, as a “productive” foreign-invested enterprise (FIE).²⁹ WSP's ownership structure has changed multiple times since its establishment, most recently in 2006, when it became wholly-owned by the British Virgin Islands incorporated “First Space Holdings Limited” (First Space) which, in turn, is wholly-owned by the Cayman Islands incorporated “WSP Holdings Ltd.”³⁰ (WSP Holdings). WSP Holdings is publicly-traded on the New York Stock Exchange under the ticker symbol “WH.”³¹

WSP filed a response on behalf of itself, as well as four separate responses on behalf of its affiliated companies: Liaoyang Seamless Oil Pipes Co. Ltd. (Liaoyang), a producer of subject merchandise; Songyuan Seamless Oil Pipes Co. Ltd. (Songyuan), a producer of subject merchandise; Mengfeng Special Steel Co. Ltd. (Mengfeng), an input supplier, and Bazhou Seamless Oil Pipes Co. Ltd. (Bazhou), a producer of subject merchandise. WSP also informed us that it sold Chaoyang Seamless Oil Steel Casting Pipes Co., Ltd. (“Chaoyang”), for which it responded in the 2011 review, to an unrelated third party on December 31, 2011.³² Therefore, we have not analyzed subsidies to Chaoyang in this review.

WSP wholly-owns Songyuan, Bazhou, and Mengfeng. WSP's direct parent company, First Space, owns 70 percent of Liaoyang.³³ We preliminarily find that these companies (hereinafter, “the WSP Companies”) are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of direct or common ownership.³⁴ Therefore, in accordance with 19 CFR 351.525(b)(6)(ii), we have attributed subsidies received by WSP, Liaoyang, Songyuan, and Bazhou, to the combined sales of WSP, Liaoyang, Songyuan, and Bazhou (exclusive of inter-company sales). Furthermore, since Mengfeng supplies inputs to cross-owned affiliates that are primarily dedicated to the downstream product, pursuant to 19 CFR 351.525(6)(iv), we have attributed subsidies received by Mengfeng to the combined sales of WSP, Liaoyang, Songyuan, Mengfeng, and Bazhou (exclusive of inter-company sales).

²⁷ *Id.*, at 2-3.

²⁸ Jiangsu Chengde noted that the Department also did not find cross-ownership among Jiangsu Chengde's affiliated companies in the previous administrative review. *Id.*, at 6; see also *Certain Oil Country Tubular Goods From the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review; 2011*, 78 FR 9368 (February 8, 2013) and accompanying Decision Memorandum at 7, unchanged in *Certain Oil Country Tubular Goods From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2011*, 78 FR49475 (August 14, 2013)

²⁹ See WQR at 5-6.

³⁰ *Id.*

³¹ *Id.*

³² *Id.*, at 3.

³³ *Id.*

³⁴ *Id.*

Loan Benchmarks and Discount Rates

The Department is examining loans received by the WSP Companies and Jiangsu Chengde from Chinese policy banks and state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies.³⁵ The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

a. Short-Term 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, the Department uses comparable commercial loans reported by the company as a benchmark.³⁶ If the firm did not have any comparable commercial loans during the period, the Department’s regulations provide that we “may use a national average interest rate for comparable commercial loans.”³⁷ As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate.

For the reasons explained in *CFS from the PRC*,³⁸ 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. Because of this, any loans received by respondents from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). Similarly, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). There is no new information on the record of this review that would lead us to deviate from our prior determinations regarding government intervention in the PRC’s banking sector. Therefore, because of the special difficulties inherent in using a Chinese benchmark for loans, the Department is selecting an external market-based benchmark interest rate.³⁹

We first developed in *CFS from the PRC*,⁴⁰ and more recently updated in *Thermal Paper from the PRC*,⁴¹ the methodology used to calculate the external benchmark. Under that methodology,

³⁵ See 19 CFR 351.524(b)(1).

³⁶ See 19 CFR 351.505(a)(3)(i).

³⁷ See 19 CFR 351.505(a)(3)(ii).

³⁸ See *Coated Free Sheet Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS from the PRC*), and accompanying Issues and Decisions Memorandum (IDM) at Comment 10; see also Memorandum to the File “Additional Documents for Preliminary Results,” (February 18, 2014) (Additional Documents Memorandum) at Attachment I (Memorandum from David Neubacher, International Trade Analyst, to the File, “Consultations with Government Agencies,” (October 17, 2007) at 2).

³⁹ See, e.g., *Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products from Canada*, 67 FR 15545 (April 2, 2002) (*Softwood Lumber from Canada*) and accompanying IDM at “Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.”

⁴⁰ See *CFS from the PRC*, and accompanying IDM at Comment 10.

⁴¹ See *Lightweight Thermal Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from the PRC*) and accompanying IDM at 8-10.

we first determine which countries are similar to the PRC in terms of gross national income, based on the World Bank’s classification of countries as: low income; lower-middle income; upper-middle income; and high income. For 2001 through 2009, the PRC fell in the lower-middle income category.⁴² Beginning with 2010, however, the PRC is in the upper-middle income category.⁴³ Accordingly, as explained below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2001 – 2009, and the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010 - 2012. As explained in *CFS from the PRC*, by pooling countries in this manner, we capture the broad inverse relationship between income and interest rates.

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

In each year from 2001-2009, and 2011-2012, the results of the regression-based analysis⁴⁴ reflected the intended, common sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates. For 2010, however, the regression does not yield that outcome for the PRC’s income group. This contrary result for a single year does not lead the Department to reject the strength of governance as a determinant of interest rates. Therefore, we have continued to rely on the regression-based analysis used since *CFS from the PRC* to compute the benchmarks for the years from 2001-2009, and 2011-2012. 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, and they are included in that agency’s international financial statistics (IFS). With the exceptions noted below, we have used the interest and inflation rates reported in the IFS for the countries identified as “upper middle income” by the World Bank for 2010 – 2012, and “lower middle income” for 2001-2009. First, we did not include those economies that the Department considered to be non-market economies for antidumping 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 removed any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments.⁴⁵ Finally, for each year the Department calculated an inflation-adjusted short-term benchmark rate, we have also excluded any countries with aberrational or negative real interest rates for the year in question.⁴⁶

⁴² See World Bank Country Classification, <http://econ.worldbank.org/>.

⁴³ *Id.*

⁴⁴ See Memorandum to All Interested Parties, “Interest Rate Benchmark Memorandum” (February 18, 2014) (Interest Rate Benchmark Memorandum).

⁴⁵ For example, in certain years Jordan reported a deposit rate, not a lending rate, and Ecuador and Timor L’Este reported dollar-denominated rates; therefore, such rates have been excluded.

⁴⁶ For example, we excluded Brazil from the 2010 and 2011 benchmarks because the country’s real interest rate was 34.95 percent and 37.25 percent, respectively. See Interest Rate Benchmark Memorandum.

Because these rates are net of inflation, we adjusted the benchmark rates to include an inflation component before comparing them to the interest rates on loans issued to the WSP Companies and Jiangsu Chengde by SOCBs. *See* Interest Rate Benchmark Memorandum for the resulting inflation-adjusted benchmark lending rates.

b. Long-Term RMB-Denominated Loans

The lending rates reported in the IFS represent short- and medium-term lending, and there are not sufficient publicly available long-term interest rate data upon which to base a robust benchmark for long-term loans. To address this problem, the Department has 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.⁴⁷

In *Citric Acid from the PRC*, 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.⁴⁸ Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component. *See* Interest Rate Benchmark Memorandum for the resulting inflation-adjusted benchmark lending rates.

c. Foreign Currency-Denominated Loans

To calculate benchmark interest rates for foreign currency-denominated loans, the Department is following the methodology developed over a number of successive PRC investigations. For U.S. dollar short-term loans, the Department used as a benchmark the one-year dollar London Interbank Offering Rate (LIBOR), plus the average spread between LIBOR and the one-year corporate bond rate for companies with a BB rating. Likewise, for any loans denominated in other foreign currencies, we used as a benchmark the one-year LIBOR for the given currency plus the average spread between the LIBOR rate and the one-year corporate bond rate for companies with a BB rating.

For any long-term foreign currency-denominated loans, the Department added the applicable short-term LIBOR rate to a spread which is calculated as the difference between the one-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. *See* Interest Rate Benchmark Memorandum for the resulting inflation-adjusted benchmark lending rates.

⁴⁷ *See, e.g., Light-Walled Rectangular Pipe and Tube From People’s Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 FR 35642 (June 24, 2008) and accompanying IDM at 8.

⁴⁸ *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 the PRC*) and accompanying IDM at Comment 14.

d. Discount Rates

Consistent with 19 CFR 351.524(d)(3)(i)(A), we have used as the discount rate the long-term interest rate calculated according to the methodology described above for the year in which the government agreed to provide the subsidy. These benchmarks are provided in the Interest Rate Benchmark Memorandum.

e. Uncreditworthiness Benchmark

As discussed below, the Department is finding the WSP Companies uncreditworthy during the period 2009 through 2012. To construct the uncreditworthy benchmark rate for those years, we used the long-term rates described above as the “long-term interest rate that would be paid by a creditworthy company” in the formula found at 19 CFR 351.505(a)(3)(iii).

Use of Facts Otherwise Available and Adverse Inferences

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

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information.

In deciding which facts to use as adverse facts available (AFA), section 776(b) of the Act and 19 CFR 351.308(c)(1) authorize the Department to rely on information derived from: (1) the petition; (2) a final determination in the investigation; (3) any previous review or determination; or (4) any information placed on the record. The Department’s practice when selecting an adverse rate from among the possible sources of information 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 the Department with complete and accurate information in a timely manner.⁴⁹ The Department’s practice also ensures “that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully.”⁵⁰

GOC – Whether Certain Steel Round Producers Are “Authorities”

As discussed below under the section “Programs Preliminarily Found to be Countervailable,” the Department is investigating whether the GOC provided steel rounds for less than adequate

⁴⁹ See Notice of Final Determination of Sales at Less Than Fair Value: *Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

⁵⁰ See Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H. Doc. No. 316, 103d Cong. 2d Session, at 870 (1994).

remuneration (LTAR). We asked the GOC to provide information regarding the specific companies that produced the steel rounds that the mandatory respondents purchased during the POR. Specifically, we sought information from the GOC that would allow us to analyze whether the producers are “authorities” within the meaning of section 771(5)(B) of the Act.

For each producer that the GOC claimed was privately owned by individuals during the POR, we requested the following⁵¹:

- Translated copies of source documents that demonstrate the producer’s ownership during the POR, such as capital verification reports, articles of association, share transfer agreements, or financial statements.
- Identification of the owners, members of the board of directors, or managers of the producers who were also government or Chinese Communist Party (CCP) officials during the POR.
- A statement regarding whether the producer had ever been a state-owned enterprise (SOE), and, if so, whether any of the current owners, directors, or senior managers had been involved in the operations of the company prior to its privatization.
- A discussion of whether and how operational or strategic decisions made by the management or board of directors are subject to government review or approval.

For producers owned by other corporations (whether in whole or in part) or with less-than-majority state ownership during the POR, we requested information tracing the ownership of the producer back to the ultimate individual or state owners. Specifically, we requested the following information⁵²:

- Translated copies of source documents identifying the company’s owners during the entire POR, such as capital verification reports, articles of association, share transfer agreements or financial statements, along with a chart detailing the name and respective ownership level of each owner of the input producer, up to the ultimate individual or state owners during the entire POR.
- The nature of all outstanding shares of the companies, *e.g.*, voting, non-voting, controlling, shares with special rights (“golden” shares), *etc.* and a breakdown of these different types of shares by owner.
- The identification of any state ownership of the producer’s shares; and the nature and level of these government entities (*e.g.*, central government ministry, national or sub-central State-Owned Assets Supervision and Administration Commission (SASAC), provincial SOE, municipality, township enterprise, *etc.*).

⁵¹ See Initial Questionnaire to the GOC dated May 2, 2013 at Section II, Information Regarding Input Producers in the PRC Appendix, Section I.

⁵² *Id.*, at Section II.

- For each level of ownership, a translated copy of the section(s) of the articles of association showing the rights and responsibilities of the shareholders and, where appropriate, the board of directors, including all decision making (voting) rules for operation of the company.
- For each level of ownership, identification of the owners, directors, or senior managers of the producer who were also government or CCP officials during the POR.
- A discussion of whether and how operational or strategic decisions made by the management or board of directors are subject to government review or approval.
- A statement regarding whether any of the shares held by government entities have any special rights, priorities, or privileges with regard to voting rights or other management or decision-making powers of the company; a statement regarding whether there are restrictions on conducting, or acting through, extraordinary meetings of shareholders; a statement regarding whether there are any restrictions on the shares held by private shareholders; and a discussion of the nature of the private shareholders' interests in the company (*e.g.*, operational, strategic, or investment-related).

The GOC did not provide a complete response to these questions for any producer despite having two opportunities to do so. Specifically, in its initial questionnaire response, the GOC did not identify whether any individual owners, members of the board of directors (BOD), or senior managers during the POR were CCP officials or whether the companies in question had a CCP Committee during the POR. Instead, citing the PRC Civil Servant Law, Article 53, the GOC argued that civil servants are prohibited from holding positions in private enterprises or profit-making organizations and that therefore, none of the individuals, BOD members, or senior managers of the companies could be government or CCP officials during the POR.⁵³ However, with regard to the GOC's claim that Chinese law prohibits GOC officials from taking positions in private companies, we have previously determined that this particular law does not pertain to CCP officials.⁵⁴ Consequently, in our supplemental questionnaire to the GOC, we again requested this information. The GOC reported that it "does not hold the information of whether the individual owners, members of the board of directors (BOD) of the Company were government or CCP officials, or whether there was a CCP commission in the Company during the POR," and that "As for this information, please verify it with the Company."⁵⁵ First, we note that the GOC's first response is not congruous with its second, *i.e.*, the GOC's second response suggests that in fact individual owners, BOD members, and senior managers can be CCP officials. Second, we note that the GOC's responses in prior proceedings demonstrate that it is able to access the information requested by the Department.⁵⁶

Further, while the GOC provided some information about the structure of the CCP, it did not provide information we requested regarding the roles played by CCP officials and CCP Committees in the management or operations of the steel round producers. Instead, the GOC

⁵³ See GQR at II-14.

⁵⁴ See Additional Documents Memorandum at Attachment II, at 16.

⁵⁵ See G1SR, at 5.

⁵⁶ See, *e.g.*, *High Pressure Steel Cylinders From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012), and accompanying IDM at 13.

argued that “{e}ven if an owner, a director, or a manager of a supplier is a member or representative of {the CCP, People’s Congress, or Chinese People’s Political Consultative Conferences}, this does not make the management and business operation of the company in which he/she serves subject to any intervention of the GOC.”⁵⁷ The GOC concluded that “all the questions in this regard are not relevant to this investigation and the Department has no basis for requesting this information.”⁵⁸

With respect to the input producers with some direct corporate ownership or less-than-majority state ownership during the POR, in its initial questionnaire response, the GOC stated that it was “unable to trace all ownership back to the ultimate individual or state owners for each and every input producer... in the limited time allowed for this questionnaire response.”⁵⁹ However, the GOC’s initial questionnaire response was submitted after the Department granted the GOC an extension.⁶⁰ The GOC did not request an additional extension. In our supplemental questionnaire, for which the GOC was granted another extension,⁶¹ we again requested that the GOC trace ownership to the ultimate individual or state owners during the entire POR. The GOC stated it “is unable to trace the ownership of suppliers back to the ultimate individual or state owner during the POR as requested by the Department.”⁶² The GOC did not promptly notify the Department (despite requesting extensions) that it was not able to submit the required information in the requested form and manner, in accordance with section 782(c) of the Act. Nor did the GOC suggest an alternative form for submitting this information.⁶³ Notwithstanding, as noted above, the GOC has previously demonstrated that it is able to access the information requested by the Department.⁶⁴ In all, the GOC did not identify the ultimate owners of any of these steel round producers.

In summary, in the questionnaire responses described above, the GOC identified a number of steel round producers as having no state ownership or less-than-majority state ownership.⁶⁵ However, the Department cannot confirm the GOC’s claim that these companies are not majority-owned by the state as the GOC did not trace the ownership of any of these producers to their eventual owners. Further, of the owners that the GOC identified as corporations, it did not identify which are state-owned entities, which also impeded the Department’s analysis. Finally,

⁵⁷ See GQR at 23-24.

⁵⁸ *Id.*

⁵⁹ See GQR at 17-18.

⁶⁰ See Letter from the Department to GOC, “Administrative Review of Oil Country Tubular Goods from the People’s Republic of China: Extension Request for Initial Questionnaire Response” dated June 5, 2013.

⁶¹ See Letter from the Department to GOC, “Administrative Review of Oil Country Tubular Goods from the People’s Republic of China: Extension Request for First Supplemental Questionnaire Response and New Subsidy Allegation Questionnaire Response,” dated December 19, 2013.

⁶² See G1SR at 5.

⁶³ Section 782(c)(1) of the Act states that “{i}f an interested party, promptly after receiving a request from the administering authority or the Commission for information, notifies the administering authority or the Commission (as the case may be) that such party is unable to submit the information requested in the requested form and manner, together with a full explanation and suggested alternative forms in which such party is able to submit the information, the administering authority or the Commission (as the case may be) shall consider the ability of the interested party to submit the information in the requested form and manner and may modify such requirements to the extent necessary to avoid imposing an unreasonable burden on that party.”

⁶⁴ See, e.g., *Steel Cylinders from the PRC*, and accompanying IDM at 13.

⁶⁵ See GQR at Exhibit 3.

the GOC did not identify the individual owners, BOD members, or senior managers of the producers who were CCP officials during the POR for any producer.

Regarding the GOC's objections to our questions about the role of CCP officials in the management and operations of the steel rounds producers, the Department notes that it is the prerogative of the Department, and not the GOC, to determine what information is relevant to the Department's investigations and administrative reviews.⁶⁶ The Department considers information regarding the CCP's involvement in the PRC's economic and political structure to be relevant because public information suggests that the CCP exerts significant control over activities in the PRC. In our Public Bodies Memorandum, we explain how the Department has found that the government in China includes both the CCP and the state apparatus. The Department then explored the variety of means by which the GOC and CCP may exercise control over enterprises. The Department has noted that publicly available information indicates that Chinese law requires the establishment of CCP organizations, *i.e.*, primary organizations of party, in all companies, whether state, private, domestic, or foreign-invested that have three or more party members and that such organizations may wield a controlling influence in the company's affairs.⁶⁷ As the GOC did not provide the information we requested regarding this issue, its claims regarding irrelevance of the CCP are wholly unsupported. With regard to the GOC's claim that Chinese law prohibits GOC officials from taking positions in private companies, we have previously determined that this particular law does not pertain to CCP officials.⁶⁸ Again, the GOC has not provided the Department with information in order to re-evaluate the Department's position.

The GOC has also claimed that CCP officials cannot serve as employees in enterprises.⁶⁹ According to the GOC, the CCP treats the staff of its administrative organs in the same manner as the government treats civil servants. It cites the "Executive Opinion of the Central Organization Department of Central Committee of CPC on Modeling and Trial Implementation of the Provisional Regulations of State Civil Servants in CCP Organs" (ZHONG FA (1993) No. 8) as evidence of "the CCP's intent to model its personnel management system after law on civil servants, including restrictions on enterprise employment," concluding that "none of the individual owners, members of the board of directors... or senior managers of the Company can also be government or CCP officials during the POI{*sic*}."⁷⁰ The GOC's argument, however, is

⁶⁶ See *Essar Steel Ltd. v. United States*, 721 F. Supp. 2d 1285, 1298-99 (CIT 2010) (stating that "{r}egardless of whether Essar deemed the license information relevant, it nonetheless should have produced it {in} the event that Commerce reached a different conclusion" and that "Commerce, and not Essar, is charged with conducting administrative reviews and weighing all evidence in its calculation of a countervailing duty margin"); *NSK, Ltd. v. United States*, 919 F. Supp. 442, 447 (CIT 1996) ("NSK's assertion that the information it submitted to Commerce provided a sufficient representation of NSK's cost of manufacturing misses the point that 'it is Commerce, not the respondent, that determines what information is to be provided for an administrative review.'"); *Ansaldo Componenti, S.p.A. v. United States*, 628 F. Supp. 198, 205 (CIT 1986) (stating that "{i}t is Commerce, not the respondent, that determines what information is to be provided").

⁶⁷ See, e.g., Additional Documents Memorandum at Attachment II.

⁶⁸ *Id.*, at 16.

⁶⁹ See, e.g., GQR at II-14.

⁷⁰ *Id.*

contradicted by the Department's finding in a past proceeding that CCP officials can, in fact, serve as owners, members of the board of directors, or senior managers of companies.⁷¹

The information we requested regarding the ultimate owners of these producers and the role of CCP officials in the management and operations of these producers is necessary to our determination of whether these producers are "authorities" within the meaning of section 771(5)(B) of the Act. Accordingly, we asked the GOC what efforts it took to obtain the information we requested. It replied that it "...relied upon capital verification reports, articles of association and business registrations to determine whether or not company owners, members of the board of directors or senior managers were or were not members of any of the above eight entities."⁷² However, it is unclear whether these documents would include information regarding the CCP affiliations of owners, BOD members, or senior managers. The GOC did not indicate that it had attempted to contact the CCP, or that it consulted any other sources. As stated, the GOC's responses in prior proceedings demonstrate that it is able to access the information we requested in this review.⁷³

We preliminarily determine that the GOC has withheld necessary information that was requested of it and, thus, that the Department must rely on "facts otherwise available" in issuing our preliminary results.⁷⁴ Moreover, we preliminarily find that the GOC has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available.⁷⁵ As AFA, we are finding that those non-SOE producers of steel rounds for which the GOC failed to provide ownership information or failed to identify whether the BOD members, owners, or senior managers were CCP officials, are "authorities" within the meaning of section 771(5)(B) of the Act.

According to the GOC, in *PC Strand from the PRC*, the Department determined that one steel round provider at issue in this administrative review was not an "authority."⁷⁶ This company is also a shareholder in another steel round provider at issue in this administrative review. We have applied AFA to this company and treated it as an "authority" here for three reasons. First, the period of investigation of *PC Strand from the PRC* was 2008, while the POR of the instant review is 2012. In the intervening period, the ownership of this company may have changed. We cannot confirm that this company's ownership has not changed because, as discussed above, the GOC did not identify this company's ultimate owners. Second, in *PC Strand from the PRC*, we determined that although certain company officials were also CCP officials, there was not enough information on the record regarding the role that these officials play in directing the companies they own or manage to comply with government policies for us to find that the

⁷¹ See *Pre-Stressed Concrete Steel Wire Strand from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010) (*PC Strand from the PRC*) and accompanying IDM at Comment 8 ("in the instant investigation, the information on the record indicates that certain company officials are members of the Communist Party and National Party Conference as well as members of certain town, municipal, and provincial level legislative bodies.")

⁷² See GQR at II-27.

⁷³ See, e.g., *Steel Cylinders from the PRC*, and accompanying IDM at 13.

⁷⁴ See sections 776(a)(1) and 776(a)(2)(A) of the Act.

⁷⁵ See section 776(b) of the Act.

⁷⁶ See GQR at II-16.

producer in question was an authority.⁷⁷ We explained that we would “continue to explore this issue in future segments of this proceeding and future CVD proceedings involving the PRC.” Third, notwithstanding the issue of whether the ownership structure of this company has changed since 2008, it remains that this company’s current ownership structure is comprised of another corporate entity and additional individual persons. As with all of the steel round providers with some direct corporate ownership, the GOC has not identified this entity’s ultimate’s owners, nor has the GOC addressed the Department’s questions regarding CCP as they apply to these individual person shareholders. As noted, the steel round provider discussed in *PC Strand from the PRC* is also a shareholder in another steel round provider at issue in this administrative review. This other steel round provider’s ownership structure is also comprised of other corporate entities and individual persons and is, thus, subject to the same deficiencies.

Consequently, the GOC’s inadequacy in providing information about the CCP in this review has left the Department unable to ascertain the extent to which the CCP directs these producers to act in accordance with government policies.

For details on the calculation of the subsidy rate for the respondents, *see* below at section I.C., “Provision of Steel Rounds for LTAR.”

WSP Companies – New Subsidy Allegation Programs

As described above under “Background,” the Department initiated on Petitioner’s new subsidy allegations on December 3, 2013. We initiated an investigation into the following programs (collectively, the “NSA Programs”):

- Land and Land-Use Rights for Less Than the Normal “Land Grant Price” in Korla City
- Deferral of Payment for Land and Land-Use Rights in Korla City
- Tax Waivers and Reductions in Korla City
- Special Preferential Policies in Korla Zone
- Preferential Financial Support to Bazhou Seamless

We issued questionnaires to the GOC, Jiangsu Chengde, and WSP regarding these newly-alleged subsidies on December 6, 2013. We received timely-filed responses from the GOC and Jiangsu Chengde; however, WSP failed to respond or request an extension prior to the questionnaire response deadline.

Accordingly, we preliminarily find that WSP has failed to provide necessary information by the deadlines for submission of the information, as described by section 776(a)(2)(B) of the Act and has withheld necessary information that was requested of it, within the meaning of section 776(a)(2)(A) of the Act. WSP’s failure to provide information has prevented us from being able to fully analyze whether the NSA Programs are countervailable and what benefit WSP and its cross-owned affiliates may have received from them. Therefore, the Department is relying on “facts otherwise available” for our preliminary results. Moreover, we preliminarily find that

⁷⁷ *See PC Strand from the PRC*, and accompanying IDM at Comment 8. Our determination was not, as the GOC claims, that this company is not an “authority.” We found only that there was not enough information on the record to fully analyze the extent of government control.

WSP has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available.⁷⁸

Because the WSP Companies failed to act to the best of their ability, for each program examined, we made the adverse inference that the WSP Companies benefitted from the program unless the record evidence made it clear that they could not have benefitted from that program because, for example, we have found the program to be not countervailable.⁷⁹ To calculate the program rates, we have generally used program-specific rates calculated for the cooperating respondents in the instant review or prior segments of the instant case, or calculated in prior PRC CVD cases.

In prior cases, for programs other than those involving income tax exemptions and reductions, we have first sought to apply, where available, the highest above *de minimis* subsidy rate calculated for an identical program from any segment of this proceeding.⁸⁰ However, the NSA Programs alleged in this instant review have not been analyzed in any prior case or segment. Therefore, we have applied, where available, the highest above *de minimis* subsidy rate calculated for a similar program from any segment of this proceeding. Absent an above *de minimis* subsidy rate calculated for the same or similar program in this proceeding, we have applied the highest non-*de minimis* rate calculated for the same or similar program (based on treatment of the benefit) in another PRC CVD proceeding. Absent an above *de minimis* subsidy rate calculated for the same or similar program in any PRC CVD proceeding, we applied the highest calculated subsidy rate for any program otherwise listed from any prior PRC CVD cases, so long as the WSP Companies conceivably could have used the program for which the rate was calculated.⁸¹

As alleged by Petitioner,⁸² the NSA Programs are specific to WSP's cross-owned affiliate Bazhou. Furthermore, the NSA Letter specifies that many of these programs are only available to companies located in Korla City or in the Korla Zone, which are located in Xinjiang, a region in Western China.⁸³ Bazhou is the only cross-owned affiliate of WSP whose submissions to date indicate it is located in Korla City or the Korla Zone.⁸⁴ As Petitioner's allegations are limited to companies located in Korla City and/or the Korla Zone, or are limited specifically to Bazhou,

⁷⁸ See section 776(b) of the Act.

⁷⁹ See, e.g., *Certain Cold-Rolled Carbon Steel Flat Products From Korea; Final Affirmative CVD Determination*, 67 FR 62102 (October 3, 2002) and accompanying IDM at "Methodology and Background Information;" and *CFS from the PRC*, 72 FR at 60645, 46-47.

⁸⁰ See, e.g., *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China: Final Results of the Countervailing Duty Administrative Review*, 77 FR 21744 (April 11, 2012) and accompanying IDM at 2-5.

⁸¹ See *Aluminum Extrusions From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) (*Aluminum Extrusions from the PRC*), and IDM at "Application of Adverse Inferences: Non-Cooperative Companies" section; see also *Lightweight Thermal Paper From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008), and accompanying Issues and Decision Memorandum at "Selection of the Adverse Facts Available Rate" section, and *Certain Hot-Rolled Carbon Steel Flat Products from India: Final Results and Partial Rescission of Countervailing Duty Administrative Review*, 74 FR 20923 (May 6, 2009), and accompanying IDM at "SGOC Industrial Policy 2004-2009."

⁸² See NSA Letter.

⁸³ *Id.*, at 2.

⁸⁴ See BQR at 4.

Bazhou is the only cross-owned affiliate of WSP that conceivably could have used these programs, and we have made the adverse inference that Bazhou used each of the programs described below.

For the program “Land and Land-Use Rights for Less Than the Normal ‘Land Grant Price’ in Korla City,” we have applied the highest non-*de minimis* subsidy rate for any land program in a segment of this proceeding. This rate was 2.55 percent for the land component of the program “Subsidies Provided in the TBNA and the Tianjin Economic and Technological Development Area” in the *Investigation Final*.⁸⁵

For the program “Deferral of Payment for Land and Land-Use Rights in Korla City,” we have applied the highest non-*de minimis* subsidy rate for any land program in a segment of this proceeding. This rate was 2.55 percent for the land component of the program “Subsidies Provided in the TBNA and the Tianjin Economic and Technological Development Area” in the *Investigation Final*.⁸⁶

For “Tax Waivers and Reductions in Korla City,” Petitioner alleged that companies in the Korla Zone making “high technology products” receive waivers of “all income tax, transportation tax, and property tax” for a period of five years.”⁸⁷ As AFA, we have inferred that Bazhou availed itself of each of these benefits. In prior cases, to calculate the program rate for income tax programs pertaining to either the reduction or exemption of the income tax, we have applied an adverse inference that the non-cooperative respondent paid no income tax during the period of review.⁸⁸ The standard income tax rate for corporations in the PRC is 25 percent. Thus, the highest possible benefit for all income tax reduction or exemption programs combined is 25 percent. However, in this case, information provided by Bazhou in earlier questionnaire responses, such as Bazhou’s tax return, indicate that it was in a tax loss position, so it could not have taken advantage of the income tax component of this program.⁸⁹ Regarding the transportation tax component of this program, we applied the highest non-*de minimis* subsidy rate for any tax program from any PRC CVD proceeding, other than income tax programs. The rate was 0.79 percent, from Value Added Tax and Duty Exemptions on Imported Equipment, in *Citric Acid from the PRC – 1st AR*.⁹⁰ We also applied a rate of 0.79 percent for the property tax component of this program, to yield a program rate of 1.58.

⁸⁵ See *Certain Oil Country Tubular Goods From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination*, 74 FR 64045 (December 7, 2009) (*Investigation Final*) and accompanying IDM at 19.

⁸⁶ *Id.*

⁸⁷ See NSA Letter at 12.

⁸⁸ See, e.g., *Aluminum Extrusions from the PRC* and accompanying IDM at 12; see also *Lightweight Thermal Paper From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008), and accompanying IDM at “Selection of the Adverse Facts Available Rate” and *Circular Welded Carbon Quality Steel Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008), and accompanying IDM at 2.

⁸⁹ See BQR at Exhibit B5.

⁹⁰ See *Citric Acid and Certain Citrate Salts From the People’s Republic of China: Final Results of Countervailing Duty Administrative Review*, 76 FR 77206 (December 12, 2011).

For the program “Special Preferential Policies in Korla Zone,” Petitioners do not specify the form that these special preferential policies may take.⁹¹ Petitioners explain that this assistance may take the form of “a direct transfer of funds, foregoing or not collecting revenue that is otherwise due, providing goods and services, purchasing goods, or otherwise. We have applied the highest non-*de minimis* subsidy rate for a similar group of programs in a segment of this proceeding . We preliminarily find that the program “Subsidies Provided in the TBNA and the Tianjin Economic and Technological Development Area” from the *Investigation Final* is a similar program.⁹² It consists of several sub-parts: “Science and Technology Fund” (a grant), “Accelerated Depreciation Program” (a tax program), and a land program. We summed the individual subsidy rates from the sub-parts of this program to yield a subsidy rate of 3.2 percent.

For the program “Preferential Financial Support to Bazhou Seamless,” Petitioners alleged that Xinjiang provincial deputy party secretary and deputy governor Du Beiwei “enlisted various government departments and related financial institutions to support Bazhou Seamless. Although not specified, the support from financial institutions likely took the form of preferential loans. It also may have included grants, loan guarantees, and other forms of financial support.”⁹³ We are already all loans received by the WSP Companies under the program “Policy Loans,” therefore we have not applied an AFA rate for the loan component of this program since we have already calculated a benefit for all loans reported by the company. With respect to the grant provision under this program, we have applied the highest calculated non-*de minimis* rate from a grant program in any PRC CVD proceeding. This rate was 0.55 percent, from the program “Support Funds for Construction of Project Infrastructure Provided by Administration Commission of LETDZ” in *Wind Towers from the PRC*.⁹⁴

On this basis, the AFA countervailable subsidy rate arising from the NSA Programs determined for Bazhou, and by extension, the WSP Companies, is 10.43 percent *ad valorem*. This rate is in addition to the subsidy rates for the programs for which the WSP Companies submitted responses to our questionnaires. These programs are described below under “Programs Preliminarily Determined to be Countervailable.”

WSP Companies – Creditworthiness

The examination of creditworthiness is an attempt to determine if the company in question could obtain long-term financing from conventional commercial sources. According to 19 CFR 351.505(a)(4)(i), the Department will generally consider a firm to be uncreditworthy if, based on information available at the time of the government-provided loan, the firm could not have obtained long-term loans from conventional commercial sources.

In making this determination, according to 19 CFR 351.505(a)(4)(i)(A)-(D), the Department may examine, *inter alia*, the following four types of information: 1) receipt by the firm of comparable commercial long-term loans; 2) present and past indicators of the firm’s financial

⁹¹ See NSA Letter at 14.

⁹² See *Investigation Final*, and accompanying IDM at 19.

⁹³ See NSA Letter at 15.

⁹⁴ See *Utility Scale Wind Towers From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 75978 (December 26, 2013) (*Wind Towers from the PRC*) and accompanying IDM at 22-23.

health; 3) present and past indicators of the firm’s ability to meet its costs and fixed financial obligations with its cash flow; and 4) evidence of the firm’s future financial position. Under 19 CFR 351.505(a)(4)(i)(A), the Department looks to whether the company has received commercial long-term loans in assessing the company’s creditworthiness. According to 19 CFR 351.505(a)(4)(ii), for companies not owned by the government, the Department normally considers a company’s receipt of a long-term loan from a commercial source to be dispositive of its creditworthiness.

In response to Petitioner’s allegation,⁹⁵ on December 3, 2013, we initiated an investigation into the creditworthiness of the WSP Companies for the period 2009-2012.⁹⁶ On January 15, 2014, we issued a questionnaire to WSP requesting information pertaining to the criteria described above. However, WSP did not respond to our questionnaire by the deadline.

We preliminarily find that WSP has failed to provide necessary information by the deadlines for submission of the information, as described by section 776(a)(2)(B) of the Act and has withheld necessary information that was requested of it, within the meaning of section 776(a)(2)(A) of the Act. Therefore, the Department is relying on “facts otherwise available” for our preliminary results. Moreover, we preliminarily find that WSP has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available.⁹⁷ As AFA, we preliminarily find that the WSP Companies were uncreditworthy during the period 2009-2012 and have used uncreditworthy benchmarks, calculated in accordance with 19 CFR 351.505(a)(3)(iii), for all long-term loans taken out by the WSP Companies during those years.

WSP Companies (Bazhou) – Policy Lending

In our initial questionnaire to the WSP Companies, we asked each company to “report all financing to your company that was outstanding during the POR, regardless of whether you consider the financing to have been provided under this program.” We provided a loan reporting template to the WSP Companies for this purpose, which requests the following information: lender, date of agreement, date of receipt, loan purpose, initial loan amount in RMB, initial loan amount in original currency, loan currency, life of loan, whether the loan is a long-term or short-term loan, whether the loan is a fixed or variable rate loan, the interest rate specified in the loan agreement, the date and amount of each individual principal payment, the date and amount of each individual interest payment, the principal balance to which each interest payment applies, the total number of days each interest payment covers, and other fees applicable to the loan. This information is necessary in order for the Department to be able to calculate an accurate subsidy rate for this program.

The WSP Companies each informed us that they reported “all loans that were outstanding during the POR.”⁹⁸ WSP also informed us that it had “reported several long-term loans outstanding during the POR. All of these loans are subject to a syndicated loan contract signed in August

⁹⁵ See Uncreditworthiness Letter.

⁹⁶ See Uncreditworthiness Initiation.

⁹⁷ See section 776(b) of the Act.

⁹⁸ See, e.g., WQR at 16.

2011.” However, the loan tables submitted by the WSP Companies contained numerous errors, omissions and inconsistencies. In many instances, the WSP Companies altogether failed to report payments of principal and/or interest, did not specify whether their loans were fixed or variable rate loans, did not report the interest rates of the loans they received, reported dates but not amounts of principal or interest payments, reported amounts but not dates of principal and/or interest payments, did not report the number of days covered by each interest payment, *etc.* Instead, the WSP Companies left these cells blank in the loan template. In some cases, the WSP Companies also transposed cells from one column to another, or did not provide information in the form and manner requested.⁹⁹

In our first supplemental questionnaire to the WSP Companies, we asked WSP to confirm that the WSP Companies had reported all forms of bank financing. We emphasized that this includes mortgages, banker’s acceptance notes, interest expenses on bank promissory notes, invoice discounting, factoring of accounts receivable, and other forms of financing. We also asked WSP to classify the type of loans received by itself and its cross-owned affiliates. WSP replied that “WSP and its cross-owned affiliates confirm that they have reported all forms of bank financing.”¹⁰⁰ We also asked the WSP Companies to correct the errors and omissions in their initial response. WSP submitted revised loan tables, but these still contained errors.¹⁰¹ Some of these errors were corrected by WSP following a phone conversation with Department personnel, but many remained uncorrected.¹⁰² In particular, the loan table for Bazhou still contained numerous omissions, transpositions, and errors that, for one loan, have prevented us from being able to calculate an accurate subsidy rate.¹⁰³

Because WSP failed to report accurate information for one of Bazhou’s loans after being provided with two opportunities to do so, we preliminarily find that WSP has withheld necessary information that was requested of it and, thus, that the Department must rely on “facts otherwise available” in issuing our preliminary results.¹⁰⁴ Moreover, we preliminarily find that WSP has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available.¹⁰⁵ As AFA, we have inferred that Bazhou paid no principal or interest during the POR on a loan for which it did not provide a usable response to our loan template. We have also inferred that Bazhou received this loan in the year corresponding to the highest uncreditworthy interest rate benchmark on the record. We have calculated a benefit for this loan accordingly.

⁹⁹ See WQR at Exhibit 20; *see also* BQR at Exhibit B11, LQR at Exhibit L11, MQR at Exhibit M9, and SQR at Exhibit S10.

¹⁰⁰ See W1SR at 18.

¹⁰¹ See W1SR at Exhibits S1-64-1 through S1-64-5.

¹⁰² See Memorandum to the File from Chris Siepmann, “Phone Conversations with Counsel for Wuxi Seamless Oil Pipe Co., Ltd. (“WSP”) Regarding WSP’s First Supplemental Questionnaire Response” (November 14, 2013); *see also* Letter from WSP to the Department, “Certain Oil Country Tubular Goods from the People’s Republic of China: Corrections to Supplemental Countervailing Duty Questionnaire Response” (November 8, 2013).

¹⁰³ See W1SR at Exhibit S1-64-4.

¹⁰⁴ See sections 776(a)(1) and 776(a)(2)(A) of the Act.

¹⁰⁵ See section 776(b) of the Act.

WSP Companies – Provision of Electricity for LTAR

In our initial questionnaire to WSP, we asked WSP to provide information regarding the electricity user category and voltage class for itself and each of its cross-owned affiliates. In its response, WSP informed us that each of the WSP Companies are “bulk power users.”¹⁰⁶ However, the electricity bills of the WSP Companies did not support this claim. Therefore, we again asked WSP to provide a corrected user category and voltage class for WSP and each of its cross-owned affiliates. WSP submitted this information for Mengfeng, Bazhou, and former cross-owned affiliate Chaoyang. However, WSP omitted user category and voltage class information for Liaoyang, Songyuan, and WSP itself.

Without this information, we cannot select appropriate electricity rate benchmarks for these companies. Because WSP has failed to provide this information after being provided with two opportunities to do so, we preliminarily find that WSP has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available.¹⁰⁷ As AFA, we preliminarily are applying the highest rate previously calculated for this program in any segment of the proceeding which is the 5.34 percent *ad valorem* rate calculated in the 2011 administrative review.¹⁰⁸ This rate is a rate calculated for the WSP Companies in the previous review, and includes all cross-owned companies. Therefore, we will not separately calculate and include the rates for Mengfeng and Bazhou in the AFA rate for this program since the 5.34 rate was calculated and applied to all WSP Companies.

Analysis of Programs

Based upon our analysis and the responses to our questionnaires, we find the following:

I. Programs Preliminarily Found To Be Countervailable

A. Policy Loans

As described above under Use of Facts Otherwise Available and Adverse Inferences, we have applied certain adverse inferences for our calculation of the benefit received by the WSP Companies under this program.

In the *Investigation Final*,¹⁰⁹ the Department determined that the GOC had a policy in place to encourage the development of OCTG production through policy lending. Because no information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the GOC’s policy lending program continues.

¹⁰⁶ See WQR at 14.

¹⁰⁷ See section 776(b) of the Act.

¹⁰⁸ See *Certain Oil Country Tubular Goods from the People’s Republic of China: Final Results of Countervailing Duty Administrative Review*; 2011, 78 FR 49475 (August 14, 2013) and accompanying IDM at 19.

¹⁰⁹ See *Investigation Final*, and accompanying IDM at 12 and Comments 20-21.

As such, the loans to OCTG producers from Policy Banks and SOCBs in the PRC constitute financial contributions from “authorities,” pursuant to sections 771(5)(A) and 771(5)(D)(i) of the Act, and they 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. Furthermore, the loans are *de jure* specific under section 771(5)(D)(i) of the Act because of the GOC’s policy, as illustrated in government plans and directives, to encourage and support the growth and development of the OCTG industry.

WSP and its cross-owned affiliates Liaoyang, Songyuan, Bazhou and Mengfeng each reported receiving loans from SOCBs that were outstanding during the POR.¹¹⁰ Jiangsu Chengde also reported loans from SOCBs that were outstanding during the POR.¹¹¹ To calculate the benefit under this program, we compared the amount of interest each company paid on the outstanding loans to the amount of interest it would have paid on comparable commercial loans. We used the benchmarks described above under “Loan Benchmarks and Discount Rates” to calculate each company’s subsidy rate.

On this basis, we find that the WSP Companies received a countervailable subsidy of 12.37 percent *ad valorem*, and Jiangsu Chengde received a countervailable subsidy of 0.73 percent *ad valorem* under this program.¹¹²

B. Provision of Electricity for LTAR- Jiangsu Chengde

In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.¹¹³ Because no information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the GOC’s provision of electricity is a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act, and that it is specific.

To determine the existence and the amount of any benefit under this program pursuant to section 771(5)(E)(iv) of the Act and 19 CFR 351.511, we relied on Jiangsu Chengde’s reported consumption volumes and rates paid.¹¹⁴ To calculate the electricity benchmark, in accordance with 19 CFR 351.511(a)(2), we selected the highest non-seasonal provincial rates in the PRC for each user category (*e.g.*, “large industry,” “general industry and commerce”) and voltage class of the respondents (*e.g.*, 1-10kv), as well as the respondents’ “base charge” (either maximum demand or transformer capacity). We then compared what the respondents paid for electricity during the POR to our benchmark prices. Based on this comparison, we find that electricity was provided to Jiangsu Chengde for LTAR. To calculate the subsidy, we divided the benefit amount by the appropriate sales denominator for each respondent as described above under “Attribution of Subsidies.”

¹¹⁰ See W1SR at Exhibits S1-64-1 through S1-64-5; *see also* W1SR Corrections.

¹¹¹ See CQR at 20 and Exhibit K-1.

¹¹² See WSP and Chengde Preliminary Calculation Memoranda dated concurrently with this Decision Memorandum.

¹¹³ See *Investigation Final* and accompanying IDM at 5-6 and 22-23.

¹¹⁴ See CQR at 17-18 and Exhibit I-1.

On this basis, we find that Jiangsu Chengde received a countervailable subsidy of 0.34 percent *ad valorem* under this program.¹¹⁵ As described above under Use of Facts Otherwise Available and Adverse Inferences, we have applied an AFA rate of 5.34 percent for the WSP Companies under this program.

C. Provision of Steel Rounds for LTAR

In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.¹¹⁶ As no information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the GOC's provision of steel rounds is specific under section 771(5A)(D)(iii)(I) of the Act. Also, no evidence has been submitted in this review that would cause us to revisit our finding in the *Investigation Final* that domestic prices in the PRC cannot be used as benchmarks due to the government's extensive involvement in the Chinese steel rounds market.¹¹⁷

We preliminarily find that steel round producers that are majority owned by the government are "authorities" within the meaning of section 771(5)(B) of the Act, for the reasons described in the Public Body Memorandum. Further, as described above under "Use of Facts Otherwise Available and Adverse Inferences: GOC – Whether Certain Steel Round Producers Are "Authorities," we are relying on AFA to find that a number of other steel round producers are also "authorities" within the meaning of section 771(5)(B) of the Act. Because these producers are authorities, we find that WSP and Jiangsu Chengde received a financial contribution in the form of the provision of a good, within the meaning of section 771(5)(D)(iii) of the Act.

To determine the existence and the amount of any benefit under this program pursuant to section 771(5)(E)(iv) of the Act, we followed the methodology described in 19 CFR 351.511(a)(2) to identify a suitable benchmark for steel rounds. The potential benchmarks listed in this regulation, in order of preference are:

- (1) market prices from actual transactions within the country under investigation for the government-provided good (*e.g.*, actual sales, actual imports, or competitively run government auctions) ("tier one" benchmarks);
- (2) world market prices that would be available to purchasers in the country under investigation ("tier two" benchmarks); or
- (3) prices consistent with market principles based on an assessment by the Department of the government-set price ("tier three" benchmarks).¹¹⁸

As explained above, consistent with the *Investigation Final*, we preliminarily determine that domestic prices in the PRC cannot serve as viable, "tier one" benchmark prices. Instead, we are relying on "tier two prices," *i.e.*, world market prices. Parties to this proceeding have placed various usable benchmarks on the record of the proceeding. However, some of these benchmarks are country-specific free-on-board prices that allow us to more accurately adjust the benchmarks to reflect the price that a firm actually would pay if it imported the product.

¹¹⁵ See WSP and Chengde Preliminary Calculation Memoranda.

¹¹⁶ See *Investigation Final*, and accompanying IDM at 3-4 and 13-15.

¹¹⁷ *Id.*

¹¹⁸ See 19 CFR 351.511(a)(2).

Therefore, we have relied upon these benchmarks for calculating the adequacy of remuneration for this program.

19 CFR 351.511(a)(2)(ii) states that where there is more than one commercially available world market price, the Department will average the prices to the extent practicable. Therefore, we have averaged the prices described above to calculate a single benchmark by month. The average of these prices represents an average of commercially available world market prices for steel rounds that would be available to purchasers in the PRC.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under “tier two,” the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Petitioner placed ocean freight quotes from Maersk Line on the record of this review.¹¹⁹ However, we have not used these quotes to adjust the benchmark because they are for shipping “flat rack” containers. In the *Investigation Final*, the Department excluded surcharges for shipping flat racks.¹²⁰ We observed that “these charges are not necessarily reflective of what a firm would pay to import the product, in accordance with 19 CFR 351.511(a)(2)(iv).”¹²¹ The Department continued to exclude surcharges for flat racks in the subsequent investigation of *Seamless Pipe from the PRC*.¹²² There is no evidence on the record of this review that would lead us to depart from these earlier determinations.

Therefore, instead of using ocean freight rates placed on the record by Petitioner, we have used Maersk Line quotes for ocean freight during the POR submitted by Jiangsu Chengde.¹²³ Jiangsu Chengde’s quotes correspond to steel shipment to Shanghai, PRC from Odessa, Ukraine, Santos, Brazil, and Gemlik, Turkey in a standard 20 foot container. We also added inland freight in the PRC based on information supplied by Jiangsu Chengde¹²⁴ and the WSP Companies,¹²⁵ import duties as reported by the GOC in the *Investigation Final*,¹²⁶ and the value added tax (VAT) applicable to imports of steel rounds into the PRC.¹²⁷

We compared these adjusted benchmark prices to the respondents’ actual purchase prices, including taxes and delivery charges. WSP, Liaoyang, and Jiangsu Chengde reported purchasing steel rounds during the POR and identified the producers of the inputs they purchased. Based on this comparison, we preliminarily find that steel rounds were provided for LTAR.

¹¹⁹ See NFI Submission at Exhibits 56 and 57.

¹²⁰ See *Investigation Final*, and accompanying IDM at 85.

¹²¹ *Id.*

¹²² See *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010) (*Seamless Pipe from the PRC*) and accompanying IDM at 71-72.

¹²³ See CQR at Exhibit J-3.

¹²⁴ *Id.*

¹²⁵ See WQR at Exhibit 18.

¹²⁶ See Additional Documents Memorandum at Attachment III.

¹²⁷ *Id.*

On this basis, we find that the WSP Companies received a countervailable subsidy of 3.64 percent *ad valorem*, and Jiangsu Chengde received a countervailable subsidy of 0.42 percent *ad valorem* under this program.¹²⁸

II. Programs For Which More Information is Required

A. Subsidies in the Wuxi New District (WND)

In the 2011 administrative review, Petitioner alleged that “land is leased to... firms at prices 20 to 30 percent below the prices that are available to investors in other development zones” under this program. Petitioner also provided an excerpt from a website describing preferential policies in the WND, which stated that “land lease price fall 20% - 30% below other similar development region. We subsequently initiated an investigation of this program as a new subsidy allegation.¹²⁹

In our post-preliminary analysis in the 2011 review, we explained that although WSP reported holding land-use rights in the WND, it informed us that these land-use rights were granted, not leased, and Petitioner’s allegation described leased land. WSP did not report leasing land in the WND. Therefore, we found that WSP did not use this program because Petitioner’s allegation was limited to leased land, and WSP did not report leased land.¹³⁰

In the instant review, we again requested information regarding this program. Once again, WSP reported holding granted land-use rights in the WND, but did not report leasing land in the WND.¹³¹ However, in a later questionnaire, WSP informed us that it leases land in the WND from its affiliate, Wuxi Longhua Steel Pipe Co., Ltd.¹³² We intend to request additional information from WSP regarding this leased land parcel and will address this program in a post-preliminary analysis.

B. Certain WSP Grants

The WSP Companies reported receiving various grants during the AUL period. Of these grants, three resulted in a benefit to the WSP Companies during the POR. We intend to request additional information from WSP and/or the GOC regarding these grants following the preliminary results, and will address these programs in a post-preliminary analysis.

III. Programs Found to Be Not Used or that Provided No Benefit During the POR

- A. “Bail-Out” Loans from SOCBs
- B. Export Incentive Payments Characterized as “VAT Rebates”
- C. Preferential Tax Program for FIEs Recognized as High or New Technology Enterprises

¹²⁸ See WSP and Chengde Preliminary Calculation Memoranda.

¹²⁹ See Additional Documents Memorandum at Attachment IV.

¹³⁰ *Id.*

¹³¹ See WQR at 24.

¹³² See, e.g., W2SR at 1-2.

- D. Jiangsu Province Famous Brands
- E. Local Income Tax Exemption and Reduction Programs for “Productive” FIEs
- F. “Two Free/Three Half” Program
- G. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment
- H. State Key Technology Project Fund
- I. Subsidies Provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area – *Science and Technology Fund*
- J. Subsidies Provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area – *Accelerated Depreciation Program*
- K. Subsidies Provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area – *Land*
- L. Export Loans from the Export-Import Bank of China
- M. Loan and Interest Forgiveness for SOEs
- N. Sub-central Government Programs to Promote Famous Export Brands and China World Top Brands
- O. Treasury Bond Loans to Northeast
- P. Preferential Loans for SOEs
- Q. Preferential Loans for Key Projects and Technologies
- R. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- S. Debt-to-Equity Swap for Pangang
- T. Equity Infusions
- U. Exemptions for SOEs From Distributing Dividends to the State
- V. Preferential Income Tax Policy for Enterprises in the Northeast Region
- W. Forgiveness of Tax Arrears For Enterprises in the Old Industrial Bases of Northeast PRC
- X. Stamp Exemption on Share Transfers Under Non-Tradable Share Reform
- Y. VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund
- Z. Provision of Land Use Rights for LTAR to Huludao
- AA. Provision of Land to SOEs for LTAR
- BB. Provision of Hot-Rolled Steel (flat products) for LTAR
- CC. Provision of Coking Coal for LTAR
- DD. Foreign Trade Development Fund (Northeast Revitalization Program)
- EE. Export Assistance Grants
- FF. Program to Rebate Antidumping Fees
- GG. Subsidies for Development of Famous Export Brands and China World Top Brands
- HH. Grants to Loss-Making SOEs
- II. Export Interest Subsidies
- JJ. Five Points, One Line Program
- KK. High-Tech Industrial Development Zones
- LL. Reduced Income Tax Rates for Export-Oriented FIEs
- MM. VAT Rebates from the Government of Liaoyang County (GLC)
- NN. Western China Regional Subsidies
- OO. Land Fee Exemptions from the GLC

Recommendation

We recommend applying the above methodology for these preliminary results.

✓
Agree

Disagree

Paul Piquado
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

18 February 2014
(Date)