



C-570-955
Administrative Review
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DATE: June 2, 2014

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Results of the
Countervailing Duty Administrative Review of Certain Magnesia
Carbon Bricks from the People's Republic of China

I. SUMMARY

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review of the countervailing duty (CVD) order on certain magnesia carbon bricks (MCBs) from the People's Republic of China (PRC), covering the period of review (POR) January 1, 2012, through December 31, 2012. This review covers one producer and/or exporter of the subject merchandise, Fengchi Imp. and Exp. Co., Ltd. of Haicheng City and Fengchi Refractories Co., of Haicheng City (collectively, Fengchi). We preliminarily determine that the application of adverse facts available (AFA) to Fengchi is necessary because Fengchi failed to cooperate to the best of its ability in this proceeding. The Department also preliminarily determines that certain companies made no shipments of subject merchandise to the United States during the POR. If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection (CBP) to assess CVDs on all appropriate entries of subject merchandise during the POR.

Unless extended, we will issue the final results no later than 120 days from the date of publication of this notice in the *Federal Register*, pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act).

II. BACKGROUND

On September 21, 2010, we published the CVD order on MCBs from the PRC.¹ On September 3, 2013, we published a notice of opportunity for review of the CVD order on certain MCBs from the PRC.² On September 30, 2013, Resco Products, Inc. (Resco), a producer of the domestic like product, submitted a timely request for review of 129 companies.³ Also on September 30, 2013, ANH Refractories Company (ANH), a domestic interested party, sent a timely request for review of three companies.⁴

On November 8, 2013, we initiated an administrative review of the CVD order on certain MCBs from the PRC.⁵ The *Initiation Notice* named 129 companies subject to this review.⁶ On December 13, 2013, we received timely “no shipment” certifications from RHI AG and its affiliates: Liaoning RHI Jinding Magnesia Co.; RHI Refractories (Dalian) Co. Ltd.; RHI Refractories Liaoning Co., Ltd.; RHI Trading Shanghai Branch; and RHI Trading (Dalian) Co., Ltd. (collectively, the RHI Companies).⁷

On January 13, 2014, we placed CBP data on the record covering POR imports of MCBs from the PRC and invited comment from interested parties.⁸ On January 21, 2014, Resco submitted comments regarding the use of the CBP data, expressing concerns that CBP data may not accurately reflect POR entries of subject merchandise.⁹ On February 26, 2014, ANH filed an untimely submission to withdraw its request for review of three companies.¹⁰

On March 20, 2014, the Department responded to Resco’s comments and ANH’s untimely request. Because ANH did not demonstrate that extraordinary circumstances prevented it from

¹ See *Certain Magnesia Carbon Bricks from the People’s Republic of China: Countervailing Duty Order*, 75 FR 57442 (September 21, 2010).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 78 FR 54235 (September 3, 2013).

³ See Letter from Resco Products, Inc., “Certain Magnesia Carbon Bricks from the People’s Republic of China: Countervailing Duty Administrative Review,” September 30, 2013 at Appendix 1.

⁴ See Letter from ANH Refractories Company, “Certain Magnesia Carbon Bricks From the People’s Republic Of China: Request For Administrative Review,” September 30, 2013 at 1.

⁵ *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part*, 78 FR 67104, 67108-10 (November 8, 2013) (*Initiation Notice*).

⁶ *Id.*

⁷ See Letter from the RHI Companies, “Certain Magnesia Carbon Bricks from China: Notice of No Sales,” December 13, 2013 at 1.

⁸ See Memorandum from Jun Jack Zhao, “Certain Magnesia carbon Bricks from the People’s Republic of China: Customs Data of U.S. Imports of Magnesia Carbon Bricks,” January 13, 2013 (CBP Memo), at 1.

⁹ See Letter from Resco, “Certain Magnesia Carbon Bricks from the People’s Republic of China: Countervailing Duty Administrative Review,” January 21, 2014 at 1.

¹⁰ See Letter from ANH, “Certain Magnesia Carbon Bricks From The People’s Republic Of China: Withdrawal Of Request For Administrative Review,” February 26, 2014 at 1.

timely withdrawing its request for review, we rejected ANH's request.¹¹ Furthermore, we disagreed with Resco's comment on the CBP data, finding the data acceptable.¹²

Finally, we selected Fengchi for individual examination as the sole mandatory respondent in this review.¹³

Having selected Fengchi as the mandatory respondent in this review, we provided the government of the PRC (the GOC) with our CVD questionnaire, requesting that the GOC forward it to Fengchi.¹⁴ On April 3, 2014, Fengchi notified the Department that it would not respond to the questionnaire or otherwise participate in this review.¹⁵ We did not receive a response from the GOC.

III. SCOPE OF THE ORDER

The scope of the order includes certain chemically-bonded (resin or pitch), magnesia carbon bricks with a magnesia component of at least 70 percent magnesia (MgO) by weight, regardless of the source of raw materials for the MgO, with carbon levels ranging from trace amounts to 30 percent by weight, regardless of enhancements (for example, magnesia carbon bricks can be enhanced with coating, grinding, tar impregnation or coking, high temperature heat treatments, anti-slip treatments or metal casing) and regardless of whether or not antioxidants are present (for example, antioxidants can be added to the mix from trace amounts to 15 percent by weight as various metals, metal alloys, and metal carbides). Certain magnesia carbon bricks that are the subject of these orders are currently classifiable under subheadings 6902.10.1000, 6902.10.5000, 6815.91.0000, 6815.99.2000 and 6815.99.4000 of the Harmonized Tariff Schedule of the United States (HTSUS). While HTSUS subheadings are provided for convenience and customs purposes, the written description is dispositive.

IV. DISCUSSION OF THE METHODOLOGY

Use of Facts Available and Adverse Facts Available (AFA)

Sections 776(a)(1)-(2) of the Act provides that the Department shall apply "facts otherwise available" if necessary information is not on the record or an interested party or any other person either (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.

¹¹ See Memorandum from Jun Jack Zhao, "Administrative Review of the Countervailing Duty Order on Certain Magnesia Carbon Bricks from the People's Republic of China: Respondent Selection," March 20, 2014 (Respondent Selection Memorandum), at 2.

¹² *Id.* at 4-5.

¹³ *Id.*

¹⁴ See Letter to the GOC, "Countervailing Duty Administrative Review of Certain Magnesia Carbon Bricks from the People's Republic of China: Countervailing Duty Questionnaire," March 20, 2014 at 1-2.

¹⁵ See Letter from Fengchi, "Magnesia Carbon Bricks from China Case No. C-570-955: Letter Regarding Questionnaire," April 3, 2014 at 1-2.

Furthermore, section 776(b) of the Act 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 selecting an adverse inference, the Department may rely upon (1) secondary information, such as information derived from the petition, the final determination in the investigation, any previous administrative review or (2) any other information placed on the record.¹⁶

Application of Total AFA to Fengchi and the GOC

As explained above, we selected Fengchi as the sole mandatory respondent. Fengchi, however, notified the Department that it would not respond to the questionnaire or otherwise participate in this review. Additionally, the GOC did not respond to our initial questionnaire. Accordingly, we preliminarily determine that Fengchi and the GOC withheld information we requested, pursuant to section 776(a)(2)(A) of the Act. Fengchi and the GOC also failed to provide requested information by the established deadlines in accordance with section 776(a)(2)(B) of the Act. Furthermore, by refusing to participate in this review, Fengchi and the GOC significantly impeded the proceeding in accordance with section 776(a)(2)(C) of the Act. Had Fengchi participated in the review, we would have analyzed whether it received countervailable subsidies and calculated CVD rates, as appropriate.

As a consequence, Fengchi's and the GOC's refusal to provide any information constitutes circumstances under which we must conclude that Fengchi and the GOC failed to act to the best of their ability. Accordingly, pursuant to section 776(b) of the Act, we determine that, when selecting among the facts otherwise available, an adverse inference is warranted concerning Fengchi and the GOC for the programs on which we initiated this review, descriptions of which are contained in the Attachment.¹⁷ For these reasons, we find that Fengchi and the GOC failed to cooperate by not acting to the best of their ability to comply with our request for information in this review and, as such, their preliminary results are based on total AFA.

Selection of AFA Rate

In deciding the facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1)-(2) authorize us 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 other information placed on the record. Our 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."¹⁸ The Department's practice also

¹⁶ See section 776(b) of the Act.

¹⁷ See Attachment to this Preliminary Decision Memorandum entitled "Description of Programs Being Reviewed."

¹⁸ See, e.g., *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).

ensures “that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully.”¹⁹

Because the GOC failed to provide the requested information by the established deadlines, the Department does not have the necessary information on the record to determine whether the subsidies received by Fengchi constitute financial contributions and are specific within sections 771(5)(D) and 771(5A) of the Act, respectively. Therefore, the Department must base its determination on the facts otherwise available in accordance with section 776(a)(2)(B) of the Act. Consistent with its past practice, because the GOC failed to provide information concerning certain alleged subsidies, the Department, as AFA, determined that those programs confer a financial contribution and are specific pursuant to sections 771(5)(D) and 771(5A) of the Act, respectively.²⁰ In the petition, Petitioner provided public information reasonably available demonstrating the existence of a countervailable subsidy program for all programs to which we applied our AFA methodology. A description of those allegations from the Department’s checklist, incorporated by reference, is attached to this memorandum.

In applying AFA to Fengchi, our recent approaches in other CVD investigations and reviews guide us.²¹ Under this practice, we compute the total AFA rate for non-cooperating companies generally using program-specific rates calculated for the cooperating respondents in the instant review or in prior segments of the instant case, or calculated in prior CVD cases involving the country under review (in this case, the PRC).²²

In these preliminary results, for the income tax rate reduction or exemption programs, we are applying an adverse inference that the non-cooperating company paid no income taxes during 2012. For programs other than those involving income tax rate reduction or exemption programs, we first apply, where available, the highest above *de minimis* subsidy rate calculated for an identical program from any segment of this proceeding. Absent such a rate, we apply, 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

¹⁹ See Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H.R. Rep. No. 103-316, Vol. I, at 870 (1994), reprinted at 1994 U.S.C.C.A.N. 4040, 4199.

²⁰ See e.g., *Notice of Preliminary Results of Countervailing Duty Administrative Review: Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea*, 71 FR 11397, 11399 (March 7, 2006), unchanged in *Notice of Final Results of Countervailing Duty Administrative Review: Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea*, 71 FR 38861 (July 10, 2006) (wherein the Department relied on AFA in determining that the Government of Korea directed credit to the steel industry in a manner that constituted a financial contribution and was specific to the steel industry within the meaning of sections 771(5)(D) and 771(5A)(D)(iii) of the Act, respectively).

²¹ See *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 Issues and Decision Memorandum at “Non-Cooperative Companies” section; see also *Aluminum Extrusions From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 14, 2011) (*Aluminum Extrusions from the PRC*), and accompanying Issues and Decision Memorandum at “Application of Adverse Inferences: Non-Cooperative Companies” section; *Galvanized Steel Wire From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 17418 (March 26, 2012), and accompanying Issues and Decision Memorandum at “Non-Cooperative Companies” section.

²² *Id.*

same or similar program in any segment of this proceeding, under our AFA approach, we apply the highest above *de minimis* calculated subsidy rate for the identical program from any CVD proceeding involving the country in which the subject merchandise is produced, so long as the producer of the subject merchandise or the industry to which it belongs could have used the program for which the rates were calculated.²³ Absent such a rate, we apply, where available, the highest above *de minimis* subsidy rate calculated for a similar program from any CVD proceeding involving the country in which the subject merchandise is produced, so long as the producer of the subject merchandise or the industry to which it belongs could have used the program for which the rates were calculated. Absent an above *de minimis* rate for the same or similar program from any CVD proceeding involving the same country, we apply the highest calculated rate from any program in any CVD proceeding for that country. We preliminarily determine on the basis of AFA, the countervailable subsidy rate for Fengchi is 66.27 percent *ad valorem*.²⁴

Corroboration of Secondary Information

Section 776(c) of the Act provides that, when we rely upon secondary information, rather than on information obtained in the course of an investigation or review, we shall, to the extent practicable, corroborate that information from independent sources that are reasonably at our disposal. Secondary information is “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”²⁵ We consider information corroborated if it has probative value.²⁶ We corroborate secondary information, to the extent practicable, by examining the reliability and relevance of the information. The SAA emphasizes, however, that we need not prove the selected facts available are the best alternative information.²⁷

Concerning the reliability aspect of corroboration, the rates relied upon were calculated in recent CVD final investigations or final results of reviews. Further, those calculated rates were based upon information about the same or similar programs. Moreover, no information was presented to call into question the reliability of these calculated rates that we are applying as AFA. Finally, unlike other types of information (*e.g.*, 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.

Regarding the relevance aspect of corroborating the rates selected, we consider information reasonably at our disposal to determine the relevance of information used to calculate a

²³ See, *e.g.*, *Aluminum Extrusions from the PRC*, and accompanying Issues and Decision Memorandum at “Application of Adverse Inferences: Non-Cooperative Companies” section.

²⁴ See the Memorandum to the File, “Preliminary Results of the Countervailing Duty Administrative Review of Certain Magnesia Carbon Bricks from the People’s Republic of China: Application of Adverse Facts Available for Fengchi Imp. And Exp. Co., Ltd. of Haicheng City and Fengchi Refractories Co., of Haicheng City,” dated concurrently with and hereby adopted by this memorandum (AFA Memorandum).

²⁵ See SAA at 870.

²⁶ *Id.*

²⁷ *Id.* at 869.

countervailable subsidy benefit. Where circumstances indicate the information is not appropriate as AFA, we will not use it.²⁸

In the absence of record evidence concerning these programs resulting from Fengchi's decision not to participate in the review, we reviewed the information concerning PRC subsidy programs in other cases. For those programs for which the Department found a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs under review in this case. For those programs without a program-type match, we use as AFA the highest calculated subsidy rate for any PRC program from which Fengchi could receive a benefit. These rates are relevant because they are actual calculated CVD rates for a PRC program from which Fengchi could receive a benefit. Further, these rates were calculated for periods near the current POR.²⁹ Moreover, the failure of Fengchi to respond to our questionnaire has resulted "in an egregious lack of evidence on the record to suggest an alternative rate."³⁰ Due to the lack of participation by Fengchi, and the resulting lack of record information concerning its use of reviewed programs, we corroborated the rates selected to the extent practicable.³¹

Rate for Non-Selected Companies Under Review

In accordance with section 777A(e)(2) of the Act, we employed a limited examination methodology, as we lacked the resources to examine all companies requested for review. We selected Fengchi as the sole mandatory respondent. Neither the statute nor our regulations directly address the establishment of a rate to be applied to individual companies not selected for individual examination where we limited our examination in an administrative review pursuant to section 777A(e)(2) of the Act. Our practice in cases involving limited selection based on exporters accounting for the largest volumes of trade is to look to section 705(c)(5) of the Act for guidance, which provides instructions for calculating the all-others rate in an investigation. Section 705(c)(5)(A)(i) of the Act instructs that we are not to calculate an all-others rate using any zero or *de minimis* margins or any margins based entirely on facts available. Section 705(c)(5)(A)(ii) of the Act also provides that, where all margins are zero rates, *de minimis* rates, or rates based entirely on facts available, we may use "any reasonable method" for assigning the rate to non-selected respondents. In this instance, we assigned a rate for the sole mandatory respondent, Fengchi, based entirely upon AFA.

As discussed above, the RHI Companies filed a no-shipment certification. To date, we have not received any information that contradicts this claim. The Department bases its preliminary determination upon CBP data;³² however, an inquiry with CBP remains pending. Therefore, based on current record data, we preliminarily determine that the RHI Companies had no

²⁸ See *Fresh Cut Flowers From Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812, 6814 (February 22, 1996).

²⁹ See *Certain Magnesia Carbon Bricks from the People's Republic of China: Final Results of and Final Partial Rescission of Countervailing Duty Administrative Review; 2010*, 78 FR 22235, 22236 (April 15, 2013), and the accompanying Issues and Decision Memorandum at 3-6.

³⁰ See *Shanghai Taoen Int'l Trading Co., Ltd. v. United States*, 360 F. Supp. 2d 1339, 1348 (Ct. Int'l Trade 2005).

³¹ For a detailed discussion of the AFA rates selected for each program under review, see the AFA Memorandum.

³² See generally CBP Memo.

shipments of subject merchandise to the United States during the POR. Consequently, we preliminarily intend to rescind the review of these companies. Absent any evidence of shipments being placed on the record after we issue these preliminary results, we intend to rescind the review of these companies in the final results.³³

Regarding the remaining companies for which we initiated a review and which did not file a no-shipment certification, we will assign entries of subject merchandise made by them the all others rate from the investigation. We assume that the companies under review that have not submitted no-shipment certifications made some shipments of subject merchandise to the United States during the POR. Accordingly, and consistent with section 705(c)(5)(A)(ii) of the Act, we are assigning the all others rate from the investigation to the remaining companies under review because the rate determined for the sole mandatory respondent in these preliminary results of review, Fengchi, is based entirely upon facts available. We consider the use of the all others rate from the investigation, which was based upon a calculated rate for one of the mandatory respondents in the investigation, to be a “reasonable method” for calculating the rate applicable to the remaining companies under review because it represents the only rate in the history of the CVD order on MCBs from the PRC that is not zero, *de minimis*, or based entirely upon facts available.

V. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



Agree

Disagree



Paul Piquado
Assistant Secretary
for Enforcement and Compliance

2 JUNE 2014

Date

³³ See, e.g., *Certain Magnesia Carbon Bricks from the People’s Republic of China: Final Results of and Final Partial Rescission of Countervailing Duty Administrative Review*; 2010, 78 FR 22235, 22236 (April 15, 2013).

Attachment

Description of Programs Being Reviewed

Below is a description of the programs initiated on by the Department as alleged and described by Petitioner.³⁴

Provision of Land-Use Rights to State-Owned Enterprises (“SOEs”) for Less Than Adequate Remuneration

Description: The GOC, either at the national or local level, is the ultimate owner of all land in China.

Provision of Electricity at Less than Adequate Remuneration

Description: The GOC, through the National Development and Reform Commission (“NDRC”), regulates the power rates for certain industries, including the MCB industry.

Export Restraints of Raw Materials

Description: The GOC restrains exports of various raw materials, including magnesia.

Two Free/Three Half Program for Foreign-Invested Enterprises

Description: Under the “Two Free, Three Half” program, a Foreign-Invested Enterprise (“FIE”) that is productive and scheduled to operate for not less than ten years may be exempted from income tax in the first two years of profitability and pay only half of their applicable income taxes for the next three years.

Income Tax Reductions for Export-Oriented FIEs

Description: A FIE may continue to pay half of its applicable income tax rate following the expiration of the “Two Free, Three Half” program if exports constitute 70 percent of the company’s sales.

Preferential Income Tax Policy for Enterprises in the Northeast Region

Description: Under the Northeast Tax Preference Policy, enterprises located in several provinces and municipalities in Northeast China can significantly reduce their tax liability. Enterprises located in Liaoning, Jilin and Heilongjiang Provinces may: (1) reduce the depreciation life of fixed assets by up to 40 percent for tax purposes; and (2) shorten the amortization period of intangible assets by up to 40 percent for tax purposes. A significant number of magnesia carbon

³⁴ See “CVD Investigation Initiation Checklist; Certain Magnesia Carbon Bricks from the People’s Republic of China,” placed on the record of this review on June 2, 2014.

brick producers are located in Liaoning Province and would qualify for the Northeast Tax Preference Policy.

Forgiveness of Tax Arrears for Enterprises in the Old Industrial Bases of Northeast China

Description: Under the this program, the GOC has directed provincial and local governments to forgive the tax arrears, including interest and penalties on overdue taxes, of enterprises (both state-owned and private) located in the old industrial bases of Northeast China.

Location-Based Income Tax Reduction Programs for FIEs

Description: The GOC provides a complex system of tax benefits to FIEs operating in Special Economic Areas such as coastal economic zones, export processing zones, and economic and technological development zones. FIEs are eligible for further tax reductions if they are located in “Old Urban Districts” or “Coastal Economic Zones” and are engaged in (1) technology or knowledge intensive projects; (2) long-term projects with foreign investment; or (3) energy resource development, transportation and port construction projects. Some Chinese magnesia carbon brick producers are FIEs within these locations and likely received benefits under the program.

Local Income Tax Exemption and Reduction Programs for “Productive” FIEs

Description: Under Article 9 of the FIE Tax Law, local provinces authorize their own tax exemptions and reductions of local income taxes for “productive” FIEs. Some Chinese magnesia carbon brick producers likely benefited from this subsidy program.

Domestic Preference Tax Benefits

- a. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment**
- b. Income Tax Credits for FIEs Purchasing Domestically Produced Equipment**
- c. VAT Rebates on Purchases of Domestically Produced Equipment**

Description: The GOC provides tax refunds, reductions and exemptions to certain enterprises on the condition that those enterprises purchase domestic goods rather than imported goods, including equipment and machinery. These same subsidies are likely available to FIEs that purchase domestically produced machinery and equipment. Producers of MCBs likely benefit from this program, because they purchase domestic machinery and equipment.

Preferential Tax Programs for Enterprises Recognized as High or New Technology Enterprises

Description: The GOC provides tax benefits to enterprises recognized as high or new technology enterprises established in state high or new technology development zones, and for advanced technology enterprises invested in and operated by foreign businesses. These benefits include: reduced income tax rate of 15 percent and additional tax preferences administered by the governments of the development zones. Several producers of MCBs are located in various high technology zones.

Northeast Revitalization Program and Related Provincial Policies

Description: This program was established to revitalize designated provinces in Northeast China, including Liaoning Province. In furtherance of this program, the GOC established a special bank called the Northeast Revitalization Bank, which provides financial support, tax incentives, low-cost credit, and export credits to companies in this region. In addition, the Liaoning Provincial Government provides discounted loans and loan interest subsidies to private enterprises that take part in industries encouraged by GOC industrial policies. There are several magnesia carbon brick producers that are located in Liaoning Province.

The State Key Technology Renovation Project Fund

Description: Under this program, certain companies receive reimbursements to recover the interest incurred in financing specific technological renovation projects, with grants being disbursed as either “project investment facility” grants or “loan interest grants.” The Fund was created to promote: 1) technological renovation in key industries, enterprises and products; 2) facilitation of technology upgrades; 3) improvement of product structure; 4) improvements in quality; 5) increased supply; 6) expansion of domestic demand; and 7) continuous and healthy development of the state economy. The GOC has identified the domestic ceramics industry (which includes MCBs) as one of the primary targets for the Fund.

Famous Brands Programs

Description: The GOC operates a program to support the development of famous brands and export brands that allow recipient companies to receive preference in obtaining loans as well as discounted interest rates. Other benefits include the Export Brands Development Fund to develop and promote designated exports; preferential funding for research and development projects; support for technology to strengthen the competitiveness of famous brand exports; special assistance for domestic brand name enterprises to establish state-level research and development centers; simplified loan application procedures; and easy access to export credit insurance. In addition to the central program established by the GOC, provincial and local governments also offer their own famous brands programs. Over 925 brands have received the designation of “famous brand,” including at least one producer of MCBs.

Grants to Companies for “Outward Expansion” and Export Performance in Guangdong Province

Description: Guangdong Province provides grants to private enterprises to “expand outward” by developing foreign economic and trade activities, including export activities. These funds can be used for (i) market exploration; (ii) export credit insurance; (iii) loan interest on offshore processing trade projects; (iv) export research and development; (v) responding to antidumping duty cases; (vi) export rebate account loan payments; and (vii) an outward-oriented enterprises development fund.

Preferential Loans and Directed Credit to the Magnesia Carbon Brick Industry

Description: Pursuant to its industrial policies, the GOC subsidizes magnesia carbon brick producers through the issuance of preferential loans and directed credit. This lending takes place through state-owned commercial banks (SOCBs) that make loans based on political directives from the central or provincial governments, rather than creditworthiness or other market-based factors. Preferential loans and directed credit have generally gone to SOEs and to industries favored by the GOC on non-commercial terms.

Shenzhen City and Zhejiang Province Program to Rebate Antidumping Costs

Description: The Department investigated this provincial program in OTR Tires from the PRC, Circular Welded Pipe from the PRC, and Laminated Woven Sacks from the PRC. The Shenzhen WTO Office has a fund to reimburse up to 30 percent of legal fees to companies located in Guangdong Province that are facing anti-dumping investigations abroad. A similar program exists in Zhejiang Province.

Cash Grant Programs

- 1. Fund for Supporting Technological Innovation for Technological Small- and Medium-Sized Enterprises (SMEs)**
- 2. Development Fund for SMEs**
- 3. Fund for International Market Exploration by SMEs**

Description: The GOC provides a variety of direct subsidy grants to magnesia carbon brick producers that include grants for state-owned enterprises operating at a loss, technology and research development, export promotion, and exploration of international markets.