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Investigation  
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November 21, 2014

MEMORANDUM TO: Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Affirmative  
Countervailing Duty Determination in the Countervailing Duty  
Investigation of Certain Passenger Vehicle and Light Truck Tires  
from the People's Republic of China

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## I. SUMMARY

The Department of Commerce (Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of certain passenger vehicle and light truck tires (passenger tires, or subject merchandise) from the People's Republic of China (PRC), as provided in section 703(b)(1) of the Tariff Act of 1930, as amended (the Act). In accordance with section 703(e)(1) of the Act, we preliminarily find that critical circumstances exist with respect to imports of passenger tires from the PRC for Shandong Yongsheng Rubber Group Co., Ltd. and all other exporters or producers not individually examined.

## II. BACKGROUND

### A. Initiation and Case History

On June 3, 2014, the Department received a countervailing duty (CVD) petition filed by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (collectively, Petitioner) on passenger tires from the PRC.<sup>1</sup> Supplements to the petition and our consultations with the Government of China

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<sup>1</sup> See "Petition for the Imposition of Countervailing Duties on Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China," June 3, 2014 (CVD Petition).



(GOC) are described in the CVD Initiation Checklist.<sup>2</sup> On July 14, 2014, the Department initiated a CVD investigation on passenger tires from the PRC.<sup>3</sup>

We stated in the *Initiation Notice* that we intended to base our selection of mandatory respondents on U.S. Customs and Border Protection (CBP) entry data for the Harmonized Tariff Schedule of the United States (HTSUS) subheadings listed in the scope of the investigation.<sup>4</sup> On July 15, 2014, the Department released the CBP entry data under administrative protective order (APO).<sup>5</sup>

On August 13, 2014, based on the CBP entry data, we selected Shandong Yongsheng Rubber Group Co., Ltd. (Yongsheng) and GITI Tire (Fujian) Co., Ltd. (GITI Fujian) for individual examination as mandatory company respondents in this CVD investigation.<sup>6</sup> No party submitted comments regarding respondent selection.

On August 14, 2014, we issued our CVD questionnaire seeking information regarding the alleged subsidies to the mandatory company respondents and the GOC.<sup>7</sup> Yongsheng and GITI Fujian reported their affiliates and cross-owned companies, as requested in our CVD questionnaire, on August 28, 2014.<sup>8</sup> In addition to the mandatory responses, several voluntary respondents also reported their affiliated and cross-owned companies.<sup>9</sup>

In its affiliation response, GITI Fujian identified five additional companies with whom it was cross-owned that either produced subject merchandise or inputs consumed in the production of subject merchandise, and for whom it would be submitting full responses to the Initial Questionnaire, as instructed. The cross-owned companies identified by GITI Fujian in its affiliation response are: GITI Tire (China) Investment Company Ltd. (GITI China), GITI Radial Tire (Anhui) Company Ltd. (GITI Anhui Radial), GITI Tire (Hualin) Company

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<sup>2</sup> See “Countervailing Duty Initiation Checklist: Certain Passenger Vehicle and Light Truck Tires from the People’s Republic of China,” July 14, 2014 (CVD Initiation Checklist).

<sup>3</sup> See *Certain Passenger Vehicle and Light Truck Tires From the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 79 FR 42285 (July 21, 2014) (*Initiation Notice*).

<sup>4</sup> *Id.*, 79 FR at 42285, 42288.

<sup>5</sup> See Memorandum, “Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Customs Entry Data for Respondent Selection,” July 15, 2014.

<sup>6</sup> See Memorandum, “Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Respondent Selection,” August 13, 2014 (Respondent Selection Memorandum).

<sup>7</sup> See Letter to Liu Fang, First Secretary, Embassy of the PRC, “Investigation of Certain Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Countervailing Duty Questionnaire,” August 14, 2014 (Initial Questionnaire).

<sup>8</sup> See Letter from Yongsheng, “Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Response to Section III of the Department’s Producer/Exporter Questionnaire,” August 28, 2014; see also Letter from GITI Fujian, “Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Partial Response to Section III of Initial Questionnaire - Identification of Affiliated Companies,” August 28, 2014 (GITI Fujian Affiliation QR).

<sup>9</sup> See Letter from Zhaoqing Junhong Co. Ltd.(Junhong), “Certain Passenger Vehicle and Light Truck Tires From the People’s Republic of China: Response to Questions C.1 & C.2,” August 28, 2014; Letter from Cooper Tire & Rubber Company, “Certain Passenger Vehicle and Light Truck Tires from the People’s Republic of China/Voluntary Response To Section III Of The Questionnaire Identifying Affiliated Companies,” August 28, 2014; and Letter from Kenda Rubber (China) Co., Ltd. (Kenda), “Passenger Vehicle and Light Truck Tires from the People’s Republic of China; Affiliation Response of Kenda Rubber (China) Co., Ltd.,” August 28, 2014.

Ltd. (GITI Hualin), GITI Steel Cord (Hubei) Company Ltd. (GITI Steel Cord Hubei), and Anhui Prime Cord Fabrics Company Ltd. (Anhui Cord Fabrics).<sup>10</sup> Yongsheng did not identify any cross-owned producers/exporters of the subject merchandise.

GITI Fujian and its cross-owned companies filed the remainder of their initial questionnaire response on October 6, 2014.<sup>11</sup> The GOC also submitted its response to our CVD questionnaire on this date.<sup>12</sup> Supplemental questionnaires were issued to the GOC on October 23, 2014, and November 3, 2014, and to GITI Fujian on November 4, 2014. The GOC and GITI Fujian timely filed their responses to these supplemental questionnaires.<sup>13</sup> In addition to the mandatory questionnaire responses, the Department also received voluntary questionnaire responses from other manufacturers/exporters of passenger tires in the PRC.<sup>14</sup>

On October 6, 2014, Yongsheng withdrew as a respondent in the instant investigation.<sup>15</sup> After Yongsheng's withdrawal, the Department selected Cooper Kunshan Tire Co., Ltd. (Cooper) as the third mandatory respondent.<sup>16</sup> As noted above, Cooper filed a voluntary questionnaire response on October 6, 2014, before being selected as the third mandatory respondent.<sup>17</sup> The

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<sup>10</sup> See GITI Fujian Affiliation QR.

<sup>11</sup> See Letter from GITI Fujian, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initial Questionnaire Response - GITI Tire (Fujian) Co., Ltd.," October 6, 2014 (GITI Fujian Initial QR).

<sup>12</sup> See Letter from the GOC, "Initial Response of the Government of China to the U.S. Department's Questionnaire Certain Passenger Vehicle and Light Truck Tires from China," October 14, 2014 (GOC's Initial QR). We note that the GOC submitted responses to certain parts of the initial questionnaire on October 6, 2014. It incorporated these earlier responses into its October 14, 2014 complete initial questionnaire response, so for ease, we refer to the latter filing. (See Letter from GOC, "Initial Response of the Government of China to the U.S. Department's Questionnaire Certain Passenger Vehicle and Light Truck Tires from China," October 6, 2014.)

<sup>13</sup> See Letter from the GOC, "Response of the Government of the People's Republic of China to Part One of the U.S. Department of Commerce's Supplemental Questionnaire Certain Passenger Vehicle and Light Truck Tires from China," October 31, 2014 (GOC's October 31 SQR); see also Letter from the GOC, "Response of the Government of China to Part 1 of the U.S. Department of Commerce's Second Supplemental Questionnaire Certain Passenger Vehicle and Light Truck Tires from China," November 10, 2014; see also Letter from GITI Fujian, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Response to First Supplemental Questionnaire - Part I; Additional Comments on Preliminary Determination- GITI Tire (Fujian) Co., Ltd. ("Giti Fujian")," November 14, 2014.

<sup>14</sup> See Letter from Cooper, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China/CTRC CVD Questionnaire Response," October 6, 2014 (Cooper's Initial QR); see also Letter from Junhong, "Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Zhaoqing Junhong Co. Ltd. Voluntary Response to CVD Initial Questionnaire," October 6, 2014; and Letter from Kenda, "Passenger Vehicle and Light Truck Tires from the People's Republic of China; Submission of Kenda Rubber (China) Co., Ltd.'s Initial CVD Response," October 7, 2014.

<sup>15</sup> See Letter from Yongsheng, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Withdrawal from Participation as a Mandatory Respondent, Shandong Yongsheng Rubber Group Co., Ltd.," October 6, 2014 (Yongsheng Withdrawal Letter) (where Yongsheng stated that it "withdraw{s} from participation as a mandatory respondent, through responses to questionnaires, in the above-referenced investigation").

<sup>16</sup> See Memorandum, "Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Selection of Additional Mandatory Respondent," October 7, 2014 (Third Mandatory Respondent Memorandum).

<sup>17</sup> See Cooper's Initial QR.

Department issued a supplemental questionnaire to Cooper on October 27, 2014.<sup>18</sup> Cooper filed a timely supplemental response.<sup>19</sup>

On October 20, 2014, Petitioner submitted comments on the initial questionnaire responses submitted by the mandatory respondents as well as new subsidy allegations.<sup>20</sup> On November 10, 2014, Petitioner and GITI Fujian submitted comments for the Department to consider for the preliminary determination.<sup>21</sup> Yongsheng submitted comments for the Department to consider for the preliminary determination on November 12, 2014.<sup>22</sup> We have taken these comments into consideration for this preliminary determination, as needed.

*Postponement of Preliminary Deadline:* On August 14, 2014, the Department postponed the deadline for the preliminary determination until no later than 130 days after the initiation of the investigation, based on a request from Petitioner. The Department postponed the preliminary determination until November 21, 2014, in accordance with section 703(c)(2) of the Act and 19 CFR 351.205(f)(1).<sup>23</sup>

## **B. Period of Investigation**

The period of investigation (POI) is January 1, 2013, through December 31, 2013.

## **III. SCOPE COMMENTS**

In accordance with the preamble to the Department's regulations, we set aside a period of time in our *Initiation Notice* for parties to raise issues regarding product coverage, and encouraged all parties to submit comments within 20 calendar days of publication of that notice.<sup>24</sup> Numerous parties submitted comments on the scope of this investigation and the companion antidumping investigation which we have addressed in a separate memorandum.<sup>25</sup> Based on the comments we received, we have updated the scope of the investigation. The updated scope language is reflected below, under "Scope of the Investigation."

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<sup>18</sup> See Letter to Cooper, "First Supplemental Questionnaire in the Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China," October 27, 2014.

<sup>19</sup> See Letter from Cooper, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China/Response To First Supplemental Questionnaire," November 3, 2014 (Cooper's November 3 SQR).

<sup>20</sup> See Letter from Petitioner, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China – Petitioner's Comments on and Submission of Rebuttal Clarifying, and Correcting Factual Information to Initial Questionnaire Responses," October 20, 2014; see also Letter from Petitioner, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China-Petitioner's New Subsidy Allegations," October 20, 2014.

<sup>21</sup> See Letter from Petitioner, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China – Petitioner's Pre-Preliminary Comments," November 10, 2014; see also Letter from GITI Fujian, "Passenger Vehicle and Light Truck Tires from the Peoples Republic of China: Comments In Advance of Preliminary Results," November 10, 2014.

<sup>22</sup> See Letter from Yongsheng, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Yongsheng Rubber Group Co., Ltd. – Pre-Preliminary Determination Comments," November 12, 2014.

<sup>23</sup> See *Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Postponement of Preliminary Determination in Countervailing Duty Investigation*, 79 FR 47616 (August 14, 2014).

<sup>24</sup> See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997); see also *Initiation Notice*.

<sup>25</sup> See Memorandum, "Scope Clarification in the Antidumping Duty and Countervailing Duty Investigations of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China," November 21, 2014.

#### IV. SCOPE OF THE INVESTIGATION

The scope of this investigation is passenger vehicle and light truck tires. Passenger vehicle and light truck tires are new pneumatic tires, of rubber, with a passenger vehicle or light truck size designation. Tires covered by this investigation may be tube-type, tubeless, radial, or non-radial, and they may be intended for sale to original equipment manufacturers or the replacement market.

Subject tires have, at the time of importation, the symbol “DOT” on the sidewall, certifying that the tire conforms to applicable motor vehicle safety standards. Subject tires may also have the following prefixes or suffix in their tire size designation, which also appears on the sidewall of the tire:

Prefix designations:

P - Identifies a tire intended primarily for service on passenger cars

LT- Identifies a tire intended primarily for service on light trucks

Suffix letter designations:

LT - Identifies light truck tires for service on trucks, buses, trailers, and multipurpose passenger vehicles used in nominal highway service.

All tires with a “P” or “LT” prefix, and all tires with an “LT” suffix in their sidewall markings are covered by this investigation regardless of their intended use.

In addition, all tires that lack a “P” or “LT” prefix or suffix in their sidewall markings, as well as all tires that include any other prefix or suffix in their sidewall markings, are included in the scope, regardless of their intended use, as long as the tire is of a size that is among the numerical size designations listed in the passenger car section or light truck section of the *Tire and Rim Association Year Book*, as updated annually, unless the tire falls within one of the specific exclusions set out below.

Passenger vehicle and light truck tires, whether or not attached to wheels or rims, are included in the scope. However, if a subject tire is imported attached to a wheel or rim, only the tire is covered by the scope.

Specifically excluded from the scope of this investigation are the following types of tires:

- (1) racing car tires; such tires do not bear the symbol “DOT” on the sidewall and may be marked with “ZR” in size designation;
- (2) new pneumatic tires, of rubber, of a size that is not listed in the passenger car section or light truck section of the *Tire and Rim Association Year Book*;
- (3) pneumatic tires, of rubber, that are not new, including recycled and retreaded tires;
- (4) non-pneumatic tires, such as solid rubber tires;
- (5) tires designed and marketed exclusively as temporary use spare tires for passenger vehicles which, in addition, exhibit each of the following physical characteristics:

- (a) the size designation and load index combination molded on the tire's sidewall are listed in Table PCT-1B ("T" Type Spare Tires for Temporary Use on Passenger Vehicles) of the *Tire and Rim Association Year Book*,
  - (b) the designation "T" is molded into the tire's sidewall as part of the size designation, and,
  - (c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by *Tire and Rim Association Year Book*, and the rated speed is 81 MPH or a "M" rating;
- (6) tires designed and marketed exclusively for specialty tire (ST) use which, in addition, exhibit each of the following physical characteristics:
- (a) the size designation molded on the tire's sidewall is listed in the ST sections of the *Tire and Rim Association Year Book*,
  - (b) the designation "ST" is molded into the tire's sidewall as part of the size designation,
  - (c) the tire incorporates a warning, prominently molded on the sidewall, that the tire is "For Trailer Service Only" or "For Trailer Use Only",
  - (d) the load index molded on the tire's sidewall meets or exceeds those load indexes listed in the *Tire and Rim Association Year Book* for the relevant ST tire size, and
  - (e) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by TRA, and the rated speed does not exceed 81 MPH or an "M" rating;
- (7) tires designed and marketed exclusively for off-road use and which, in addition, exhibit each of the following physical characteristics:
- (a) the size designation and load index combination molded on the tire's sidewall are listed in the off-the-road, agricultural, industrial or ATV section of the *Tire and Rim Association Year Book*,
  - (b) in addition to any size designation markings, the tire incorporates a warning, prominently molded on the sidewall, that the tire is "Not For Highway Service" or "Not for Highway Use",
  - (c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by the *Tire and Rim Association Year Book*, and the rated speed does not exceed 55 MPH or a "G" rating, and
  - (d) the tire features a recognizable off-road tread design.

The products covered by the investigation are currently classified under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 4011.10.10.10, 4011.10.10.20, 4011.10.10.30, 4011.10.10.40, 4011.10.10.50, 4011.10.10.60, 4011.10.10.70, 4011.10.50.00, 4011.20.10.05, and 4011.20.50.10. Tires meeting the scope description may also enter under the following HTSUS subheadings: 4011.99.45.10, 4011.99.45.50, 4011.99.85.10, 4011.99.85.50, 8708.70.45.45, 8708.70.45.60, 8708.70.60.30, 8708.70.60.45, and 8708.70.60.60. While HTSUS subheadings are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.

## V. ALIGNMENT

The companion antidumping duty (AD) investigation has the same scope with regard to the merchandise covered.<sup>26</sup> On November 5, 2014, Petitioner submitted a letter, in accordance with section 705(a)(1) of the Act, requesting alignment of the final CVD determination with the final determination in the companion AD investigation.<sup>27</sup> Therefore, in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4)(i)-(ii), we are aligning the final CVD determination deadline with that of the final determination in the companion AD investigation of passenger tires from the PRC. The final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be issued on April 6, 2015.

## VI. RESPONDENT SELECTION

Section 777A(e)(1) of the Act directs the Department to calculate individual countervailable subsidy rates for each known producer/exporter of the subject merchandise. However, when faced with a large number of producers/exporters, and, if the Department determines it is therefore not practicable to examine all companies, section 777A(e)(2)(A)(ii) of the Act and 19 CFR 351.204(c) give the Department discretion to limit its examination to a reasonable number of the producers/exporters accounting for the largest volume of the subject merchandise that can reasonably be examined.

On August 13, 2014, the Department determined that it was not practicable to examine more than two respondents in the instant investigation.<sup>28</sup> Therefore, the Department selected, based on data from CBP, the two exporters/producers accounting for the largest volume of passenger tires exported from the PRC during the POI: Yongsheng and GITI Fujian.<sup>29</sup>

As explained above, Yongsheng withdrew as a respondent in the instant investigation. The Department selected a third mandatory respondent, Cooper, based on it being the third largest exporter, by volume, of passenger tires to the United States during the POI.<sup>30</sup>

Additionally, several companies have requested to be treated as voluntary respondents.<sup>31</sup> In the Respondent Selection Memorandum, the Department explained that it did not have resources available to examine any of the several parties requesting to be investigated as voluntary respondents, as long as the selected mandatory respondents continue to cooperate in this investigation.<sup>32</sup> Because GITI Fujian and Cooper have cooperated, we are not calculating individual rates for any of the voluntary respondent applicants.

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<sup>26</sup> *Id.*

<sup>27</sup> See Letter from Petitioner, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China – Petitioner's Request for Alignment of Countervailing Duty Investigation Final Determination Deadline with Antidumping Investigation Final Determination Deadline," November 5, 2014.

<sup>28</sup> See Respondent Selection Memorandum, at 4-5.

<sup>29</sup> *Id.*

<sup>30</sup> See Third Mandatory Respondent Memorandum.

<sup>31</sup> Including Kenda and Junhong.

<sup>32</sup> See Respondent Selection Memorandum, at 6.

## VII. PRELIMINARY DETERMINATION OF CRITICAL CIRCUMSTANCES, IN PART

On September 12, 2014, Petitioner filed allegations that critical circumstances exist with respect to imports of passenger tires from the PRC, and submitted U.S. Census Bureau import data in support of its allegation.<sup>33</sup> On September 16, 2014, the Department requested that respondents report their shipment data for the period March 2011, through the month of the preliminary determination, November 2014.<sup>34</sup> Mandatory and voluntary respondents submitted the requested data through the month of September or October 2014.<sup>35</sup>

In its critical circumstances allegation, Petitioner alleges that there is a reasonable basis to believe that there are subsidies in this investigation which are inconsistent with the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures (Subsidies Agreement), including export subsidies and import substitution subsidies.<sup>36</sup> In particular, Petitioner cites to allegations including discounted loans for export-oriented enterprises, export buyer's credits and export seller's credits from state-owned commercial banks (SOCBs), export credit insurance subsidies, export credit guarantees, export interest subsidy funds for enterprises located in Guangdong and Zhejiang provinces, funds for "outward expansion" of industries in Guangdong province, income tax credits on purchases of domestically-produced equipment by foreign-invested enterprises, income tax credits for domestically-owned companies purchasing Chinese-made equipment, value-added tax refunds for foreign-invested enterprises on purchases of Chinese-made equipment, and value-added tax refunds for domestic firms on purchases of Chinese-made equipment, for which the Department initiated an investigation, as evidence that this criterion is met.<sup>37</sup> Petitioner also claims that there have been massive imports of passenger tires over a relatively short period.<sup>38</sup> Petitioner provided data which it contends demonstrate that imports of subject merchandise in the three months following the filing of the CVD Petition increased by more than 15 percent, as compared to the three month period before the filing of the CVD Petition, which is considered "massive" under 19 CFR 351.206(h)(2).<sup>39</sup>

Section 703(e)(1) of the Act provides that the Department will determine that critical circumstances exist if there is a reasonable basis to believe or suspect that: (A) the alleged countervailable subsidy is inconsistent with the Subsidies Agreement, and (B) there have been

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<sup>33</sup> See Letter from Petitioner, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China—Petitioner's Critical Circumstances Allegation," September 12, 2014 (Critical Circumstances Allegation).

<sup>34</sup> See Letter to GITI Fujian, "Countervailing Duty and Antidumping Duty Investigations of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Request for Quantity and Value Shipment Data," September 16, 2014; *see also* Letter to Yongsheng, "Countervailing Duty and Antidumping Duty Investigations of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Request for Quantity and Value Shipment Data," September 16, 2014.

<sup>35</sup> See Letter from Cooper, "Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China/Critical Circumstances Monthly Q&V Shipment Data," (November 12, 2014); Letter from Kenda, "Passenger Vehicle and Light Truck Tires from the People's Republic of China; Submission of Monthly Import Data," (October 15, 2014.); Letter from GITI Fujian, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Critical Circumstances Monthly Shipment Data - October 2014," (November 17, 2014).

<sup>36</sup> See section 703(e)(1)(A) of the Act; *see also* Critical Circumstances Allegation, at 3-4.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*, at 4-5.

<sup>39</sup> *Id.*, at exhibit 1.

massive imports of the subject merchandise over a relatively short period. When determining whether an alleged countervailable subsidy is inconsistent with the Subsidies Agreement, the Department limits its findings to those subsidies contingent on export performance or use of domestic over imported goods (*i.e.*, those prohibited under Article 3 of the Subsidies Agreement).<sup>40</sup> In determining whether imports of the subject merchandise have been “massive,” 19 CFR 351.206(h)(1) provides that the Department normally will examine: (i) the volume and value of the imports; (ii) seasonal trends; and (iii) the share of domestic consumption accounted for by the imports. In addition, the Department will not consider imports to be massive unless imports during the “relatively short period” (comparison period) increased by at least 15 percent compared to imports during an “immediately preceding period of comparable duration” (base period).<sup>41</sup> The Department’s regulations at 19 CFR 351.206(i) define “relatively short period” as normally being the period beginning on the date the proceeding commences (*i.e.*, the date the petition is filed) and ending at least three months later. In addition, the Department expands the periods as more data are available. For consideration of this allegation, we have used a comparison period starting with the month the petition was filed in (*i.e.*, June 2014), up to the most recent month we have shipping data for on the record (*i.e.*, October 2014 for the mandatory respondents and September 2014 for all others). We then selected a base period with the same number of months, starting in the month prior to the filing of the petition (*i.e.*, January or February 2014 through May 2014).

In response to these allegations, certain respondents argued that the Department should conduct a seasonality analysis to account for the increase of “snow tire” imports during the June through September comparison period.<sup>42</sup> After analyzing the data for all other producers/exporters,<sup>43</sup> the Department determines that there is no predictable fluctuation associated with seasonal trends

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<sup>40</sup> See, *e.g.*, *Notice of Preliminary Negative Determination of Critical Circumstances: Certain New Pneumatic Off-the-Road Tires From the People’s Republic of China*, 73 FR 21588, 21589-90 (April 22, 2008) (unchanged in the final determination), and *Final Negative Critical Circumstances Determination: Carbon and Certain Alloy Steel Wire Rod From Germany*, 67 FR 55808, 55809 (August 30, 2002).

<sup>41</sup> See 19 CFR 351.206(h)(2).

<sup>42</sup> See Letter from the China Manufacturer’s Alliance LLC, “CMA’s Rebuttal Factual Information Concerning Critical Circumstances Allegation Certain Passenger Vehicle and Light Truck Tires from China,” September 22, 2014 (CMA submission), at 2; see also Letter from ITG Voma Corporation, “Passenger Vehicle and Light Truck Tires from the People’s Republic of China: Rebuttal Comments and Factual Information In Response to Petitioner’s Additional Critical Circumstances Allegations,” October 27, 2014 (Voma submission), at 2.

<sup>43</sup> As explained below, there is not a massive increase in shipment volume between the base and comparison periods for either GITI Fujian or Cooper.

over the past four years.<sup>44</sup> For all other exporters/producers, while shipments increase regularly between the base and comparison period over the past 10 years,<sup>45</sup> the increases have been as low as 3.86 percent and thus do not establish a pattern of an increase that can explain the 2014 increase of 35.45 percent.<sup>46</sup> In addition, while the Department was able to subtract shipment volumes for GITI Fujian, Cooper, and Yongsheng from Global Trade Atlas (GTA) data for the years 2011 through 2014, no party provided data allowing the Department to adjust GTA data in prior years, and no party provided any other means of determining a pattern for all other producers/exporters that would not be affected by the shipments of the mandatory respondents.<sup>47</sup> Moreover, no party provided data indicating what portion of shipments during 2014 consisted of snow tires; such data might have allowed the Department to determine which part of the massive increase calculated between the base and comparison periods in 2014 was attributable to snow tires and which portion was attributable to possible efforts to avoid cash deposits and duties. Finally, as discussed below, it is the Department's practice to use all shipment data available in conducting its critical circumstances analysis; by extending our base and comparison periods, the Department already accounts for possible seasonal trends.<sup>48</sup> The details of the seasonality

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<sup>44</sup> The Department's precedent has sought "clear" "patterns" demonstrating imports are "dominated by seasonality," not simply upward trends at certain times of the year. See *Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People's Republic of China*, 70 FR 24502, 24504 (May 10, 2005); see also *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 77 FR 63788 (October 17, 2012), and accompanying Issues and Decision Memorandum (IDM) at Comment 4 ("This type of sporadic variation is not the type of predictable fluctuation associated with seasonal trends. Seasonal trends, such as those affecting shipments of agricultural products, are the result of conditions known to repeat themselves each year (e.g., a harvest at the end of each summer, or a surge in consumer shopping during the Christmas season). It is possible to subtract the effects of such predictable, measurable, cyclical patterns from import surges and then determine if what remains constitutes a 'massive increase.' There is no convincing explanation as to what might be the theoretical condition that causes an end-of-year increase in solar cell shipments"). Likewise, aside from lacking regularity, the increase at issue here lacks a solid theoretical basis. The summer increase is the supposed result of the increased demand for snow tires (in anticipation of winter) and tires to replace those worn out during the summer. That theory is only supported by a single affidavit, which does not refer to any additional evidence of these reasons for a predictable increase in demand at this time each year.

<sup>45</sup> While the Voma submission argues the seasonal surge takes place during June-September, the CMA submission argues the surge takes place during June-August. See CMA submission at 3. Comparing the periods March-May with June-August over the past ten years, however, indicates shipments actually decreased in the summer months in 2008 and 2012 and increased by less than 10 percent in 2005, 2006, and 2011.

<sup>46</sup> See *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers from the People's Republic of China*, 69 FR 20594 (April 16, 2004), and accompanying IDM at Comment 3 (comparing the evidence of seasonal trends with the amount of the increase after the petition was filed to determine whether the latter could be entirely explained by the former); see also *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances Determination: Bottom Mount Combination Refrigerator-Freezers From Mexico*, 77 FR 17422, 17426 (March 26, 2012) (determining the "massive" increase could not be explained by seasonal trends because the prior year's "increase" had been negative).

<sup>47</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Refined Brown Aluminum Oxide (Otherwise known as Refined Brown Artificial Corundum or Brown Fused Alumina) from the People's Republic of China*, 68 FR 55589 (September 26, 2003), and accompanying IDM at Comment 2 (explaining that it is the burden of the party claiming the increase is the result of a seasonal trend to provide all the necessary evidence).

<sup>48</sup> See *Notice of Final Determination of Sales at Less than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the People's Republic of China*, 69 FR 70997 (December 8, 2004), and accompanying IDM at Comment 7.

analysis involve business proprietary memorandum information, and can be found in the Critical Circumstances Memorandum.<sup>49</sup>

### *GITI Fujian and Cooper*

As discussed below, under “Analysis of Programs,” the Department finds that, during the POI, GITI Fujian received countervailable benefits under one program that is contingent upon export performance: export seller’s credits from SOCBs. Therefore, we preliminarily determine that there is a reasonable basis to believe or suspect that there is a program in this investigation which is inconsistent with the Subsidies Agreement. However, we preliminarily determine that Cooper did not receive any subsidies inconsistent with the Subsidies Agreement. In determining whether there were massive imports from GITI Fujian or Cooper, we analyzed each company’s respective monthly shipment data for the period February 2014 through May 2014 compared to June 2014 through September 2014.<sup>50</sup> These data indicate that there was not a massive increase in shipments of subject merchandise to the United States by either GITI Fujian or Cooper during the four-month period immediately following the filing of the petition on June 3, 2014.<sup>51</sup> Consequently, the Department determines that critical circumstances do not exist with regard to imports of subject merchandise shipped by GITI Fujian or Cooper.

### *Yongsheng*

Because Yongsheng is not participating in this investigation, consistent with Department practice, we based our critical circumstances determination for Yongsheng on adverse facts available (AFA), in accordance with sections 776(a) and (b) of the Act and 19 CFR 351.308(c).<sup>52</sup> As AFA, we preliminarily determine that Yongsheng received countervailable benefits under programs that are contingent upon export performance. Also, as AFA, we preliminarily determine that Yongsheng made massive imports of subject merchandise over a relatively short period of time.

### *All-Other Exporters or Producers*

With regard to whether imports of subject merchandise by the “all other” exporters or producers of passenger tires from the PRC were massive, we preliminarily determine that because there is evidence of the existence of countervailable subsidies that are inconsistent with the Subsidies Agreement, an analysis is warranted as to whether there was a massive increase in shipments by the “all other” companies, in accordance with section 703(e)(1)(B) of the Act and 19 CFR

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<sup>49</sup> See Memorandum, “Monthly Shipment Quantity and Value Analysis for Critical Circumstances,” November 21, 2014 (Critical Circumstances Memorandum).

<sup>50</sup> The Department uses all shipment data available through the month of the preliminary determination in its critical circumstances determinations. Currently, only data through October is available for the respondents. We will update our analysis for our final determination to include data through November 2014. See, e.g., *Certain Oil Country Tubular Goods From India: Final Affirmative Countervailing Duty Determination and Partial Final Affirmative Determination of Critical Circumstances*, 79 FR 41967 (July 18, 2014), and accompanying IDM at 4.

<sup>51</sup> See Critical Circumstances Memorandum.

<sup>52</sup> See, e.g., *Final Determination of Sales at Less Than Fair Value and Affirmative Determination of Critical Circumstances: Small Diameter Graphite Electrodes from the People’s Republic of China*, 74 FR 2049, 2052–53 (January 14, 2009).

351.206(h). Therefore, we analyzed, in accordance with 19 CFR 351.206(i), monthly shipment data for the period February 2014 through September 2014, using shipment data from the U.S. Census Bureau, adjusted to remove shipments reported by the mandatory respondents. The resulting data indicate there was a massive increase in shipments, as defined by 19 CFR 351.206(h).<sup>53</sup> Accordingly, the Department finds that critical circumstances exist with regard to imports of subject merchandise by “all other” exporter or producers of passenger tires from the PRC.

As a result of an affirmative preliminary determination of critical circumstances, in part, in accordance with section 703(e)(2)(A) of the Act, we are directing CBP to suspend liquidation, with regards to Yongsheng and “all other” exporters or producers of passenger tires, of any unliquidated entries of subject merchandise from the PRC entered, or withdrawn from warehouse for consumption, 90 days prior to the date of publication of the preliminary determination in the *Federal Register*.

The Department will make final determinations concerning critical circumstances when we make final subsidy determinations in this investigation. All interested parties will have the opportunity to address these determinations further in case briefs.

## **VIII. INJURY TEST**

Because the PRC is a “Subsidies Agreement Country” within the meaning of section 701(b) of the Act, the U.S. International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry. On August 15, 2014, the ITC preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of passenger tires from the PRC.<sup>54</sup>

## **IX. APPLICATION OF THE COUNTERVAILING DUTY LAW TO IMPORTS FROM THE PRC**

On October 25, 2007, the Department published its final determination on coated free sheet paper from the PRC.<sup>55</sup> In *CFS from the PRC*, the Department found that:

. . . given the substantial differences between the Soviet-style economies and China’s economy in recent years, the Department’s previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China.<sup>56</sup>

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<sup>53</sup> See Critical Circumstances Memorandum.

<sup>54</sup> See Certain Passenger Vehicle and Light Truck Tires from China: Inv. Nos. 701-TA-522 and 731-TA-1258 (Preliminary) (August 2014); *Certain Passenger Vehicle and Light Truck Tires From China*, 79 FR 49537 (August 21, 2014).

<sup>55</sup> 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*).

<sup>56</sup> *Id.*, and accompanying IDM at Comment 6.

The Department affirmed its decision to apply the CVD law to the PRC in numerous subsequent determinations.<sup>57</sup> Furthermore, on March 13, 2012, Public Law 112-99 was enacted which makes clear that the Department has the authority to apply the CVD law to countries designated as non-market economies under section 771(18) of the Act, such as the PRC.<sup>58</sup> The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.<sup>59</sup>

Additionally, for the reasons stated in *CWP from the PRC*, we are using the date of December 11, 2001, the date on which the PRC became a member of the WTO, as the date from which the Department will identify and measure subsidies in the PRC for purposes of this CVD investigation.<sup>60</sup>

## **X. SUBSIDIES VALUATION**

### **A. Allocation Period**

The Department normally allocates the benefits from non-recurring subsidies over the average useful life (AUL) of renewable physical assets used in the production of subject merchandise.<sup>61</sup> The Department finds the AUL in this proceeding to be 14 years, pursuant to 19 CFR 351.524(d)(2) and the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System.<sup>62</sup> The Department notified the respondents of the 14-year AUL in the Initial Questionnaire and requested data accordingly. No party in this proceeding disputed this allocation period.

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

### **B. Attribution of Subsidies**

*Cross Ownership*: In accordance with 19 CFR 351.525(b)(6)(i), the Department normally attributes a subsidy to the products produced by the company that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provide additional rules for the attribution of subsidies received by respondents with cross-owned affiliates. Subsidies to the following types of cross-owned affiliates are covered in these additional attribution rules: (ii) producers of the subject

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<sup>57</sup> See, *e.g.*, *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008) (*CWP from the PRC*), and accompanying IDM at Comment 1.

<sup>58</sup> Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

<sup>59</sup> See Public Law 112-99, 126 Stat. 265 §1(b).

<sup>60</sup> See, *e.g.*, *CWP from the PRC*, and accompanying IDM at Comment 2.

<sup>61</sup> See 19 CFR 351.524(b).

<sup>62</sup> See U.S. Internal Revenue Service Publication 946 (2008), "How to Depreciate Property," at Table B-2: Table of Class Lives and Recovery Periods.

merchandise; (iii) holding companies or parent companies; (iv) producers of an input that is primarily dedicated to the production of the downstream product; or (v) an affiliate producing non-subject merchandise that otherwise transfers a subsidy to a respondent.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of 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.<sup>63</sup>

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) 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.<sup>64</sup> Based on information on the record, we preliminarily determine that cross-ownership exists, in accordance with 19 CFR 351.525(b)(6)(vi), among the following companies.

### *Cooper*

As discussed above, we selected Cooper as a mandatory company respondent. Cooper reported that it is cross-owned with Cooper Chengshan (Shandong) Tire Co., Ltd. (CCT) through common ownership by Cooper Tire and Rubber Company (CTRC), a U.S. based company. Both Cooper and CCT are producers of subject merchandise located in the PRC and each responded to the Department's questionnaires. In their questionnaire responses, these companies stated that Cooper is ultimately wholly-owned by CTRC and that CCT is majority owned by CTRC.<sup>65</sup> Additionally, Cooper and CCT reported that they have overlapping board members.<sup>66</sup> Therefore, based on these facts, pursuant to 19 CFR 351.525(b)(6)(vi), we preliminarily determine that Cooper and CCT are cross-owned through common ownership by their parent company, CTRC.

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<sup>63</sup> See *Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).

<sup>64</sup> See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

<sup>65</sup> See Cooper's Initial QR, at III-5 and exhibit B-2.

<sup>66</sup> *Id.*

Because both Cooper and CCT are producers of subject merchandise, we are attributing any subsidy received by either company to the combined sales of both companies, excluding intercompany sales, pursuant to 19 CFR 351.525(b)(6)(ii). CTRC did not report receiving any subsidies; rather all reported subsidies went directly to the two producers (Cooper and CCT) based in the PRC.

### *GITI Fujian*

GITI Fujian responded to the Department's original and supplemental questionnaires. In its August 28, 2014 questionnaire response, GITI Fujian reported being cross-owned with a total of 25 companies and provided complete questionnaire responses for five of these cross-owned companies: GITI Anhui Radial, GITI Hualin, GITI China, GITI Steel Cord Hubei, and Anhui Cord Fabrics.

GITI Fujian is 51 percent owned by GITI Tire Corporation (GITI Corp.) and 49 percent owned by GITI Tire Pte. Ltd. (GITI Singapore), a company registered in Singapore with many tire manufacturing operations in the PRC.<sup>67</sup> GITI Singapore, in turn, is the sole owner of GITI China, which it set up as a holding company for its investment activities in the PRC. GITI China is the parent company of GITI Anhui Radial, GITI Hualin, and Anhui Cord Fabrics, holding all the shares of each company.<sup>68</sup> 75 percent of GITI Steel Cord Hubei shares are owned by GITI Steel Cord (Anhui) Company Ltd., which is 100 percent owned by GITI China. The remaining shares are held by GITI Singapore. Because each of these companies are ultimately owned by GITI Singapore, they meet the definition of cross-ownership as described in the Department's regulations at 19 CFR 351.525(b)(6)(vi).

For the remaining companies, GITI Fujian reported that the companies either did not produce subject merchandise or inputs primarily dedicated to the production of subject merchandise during the POI. It also reported that several companies were dormant or ceased to exist during the POI.<sup>69</sup> The Department issued a supplemental questionnaire to gather more information about certain of these additional companies' activities over the AUL, not just the POI. For this preliminary determination, we are not including any of these identified companies in our analysis. We will re-evaluate this decision once a supplemental questionnaire response has been submitted.

GITI Fujian, GITI Anhui Radial, and GITI Hualin are producers of subject merchandise. Accordingly, we are attributing subsidies received by GITI Fujian, GITI Anhui Radial, and GITI Hualin to the combined sales of the three companies, excluding inter-company sales, in accordance with 19 CFR 351.525(b)(6)(ii). GITI Steel Cord Hubei and Anhui Cord Fabrics provide inputs for the production of subject merchandise. We preliminarily determine that these inputs are primarily dedicated to the production of passenger tires in accordance with 19 CFR 351.524(b)(6)(iv). Therefore, we are attributing subsidies received by each of these two companies to the combined sales of the company itself and the three producers of subject merchandise discussed above, excluding inter-company sales, in accordance with 19 CFR

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<sup>67</sup> See GITI Fujian's Affiliation QR at 1.

<sup>68</sup> *Id.*, at 5-6.

<sup>69</sup> *Id.*

351.525(b)(6)(iv). For subsidies received by GITI China, a holding company, we are attributing the benefits to the consolidated sales of the company itself and its subsidiaries in accordance with 19 CFR 351.525(b)(6)(iii).

### C. Denominators

In accordance with 19 CFR 351.525(b)(1)-(5), the Department considers the basis for the respondent's receipt of benefits under each program when attributing subsidies, *e.g.*, to the respondent's exports or total sales. The denominators we used to calculate the countervailable subsidy rates for the various subsidy programs described below are explained in the "Preliminary Calculation Memoranda," prepared for this investigation.<sup>70</sup>

## XI. BENCHMARKS AND DISCOUNT RATES

The Department is investigating loans received by the respondents from Chinese policy banks and SOCBs, as well as non-recurring, allocable subsidies.<sup>71</sup> The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

### A. Short-Term Renminbi (RMB)-Denominated Loans

Section 771(5)(E)(ii) of the Act explains that the benefit for loans is the "difference between the amount the recipient of the loan pays on the loan and the amount the recipient would pay on a comparable commercial loan that the recipient could actually obtain on the market." Normally, the Department uses comparable commercial loans reported by the company as a benchmark.<sup>72</sup> 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."<sup>73</sup>

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. For the reasons first explained in *CFS from the PRC*, loans provided by PRC banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market.<sup>74</sup> Because of this, any loans received by the respondents from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). For the same reasons, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). Therefore, because of the special difficulties inherent in using a Chinese benchmark for loans, the Department is selecting an external market-based benchmark interest rate. The use of an external benchmark is

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<sup>70</sup> See Memoranda, "Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Preliminary Determination Analysis for GITI Tire (Fujian) Company Ltd.," and "Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Preliminary Determination Analysis Memorandum for Cooper Kunshan Tire Co., Ltd.," (Cooper's Preliminary Analysis Memorandum) both dated concurrently with this memorandum (collectively, Preliminary Analysis Memoranda).

<sup>71</sup> See 19 CFR 351.524(b)(1).

<sup>72</sup> See 19 CFR 351.505(a)(3)(i).

<sup>73</sup> See 19 CFR 351.505(a)(3)(ii).

<sup>74</sup> See *CFS from the PRC*, and accompanying IDM at Comment 10.

consistent with the Department's practice. For example, in *Lumber from Canada*, the Department used U.S. timber prices to measure the benefit for government-provided timber in Canada.<sup>75</sup>

In past proceedings involving imports from the PRC, we calculated the external benchmark using the methodology first developed in *CFS from the PRC*<sup>76</sup> and more recently updated in *Thermal Paper from the PRC*.<sup>77</sup> Under that methodology, we first determine which countries are similar to the PRC in terms of gross national income, based on the World Bank's classification of countries as: low income; lower-middle income; upper-middle income; and high income. As explained in *CFS from the PRC*, this pool of countries captures the broad inverse relationship between income and interest rates. For 2003 through 2009, the PRC fell in the lower-middle income category.<sup>78</sup> Beginning in 2010, however, the PRC is in the upper-middle income category and remained there from 2011 to 2013.<sup>79</sup> Accordingly, as explained further below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2003-2009, and we used the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2013. This is consistent with the Department's calculation of interest rates for recent CVD proceedings involving PRC merchandise.<sup>80</sup>

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

In each of the years from 2003-2009 and 2011-2013, the results of the regression analysis reflected the expected, common-sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates.<sup>81</sup> For 2010, however, the regression does not yield that outcome for the PRC's income group.<sup>82</sup> This contrary result for a single year does not lead us to reject the strength of governance as a determinant of interest rates. Therefore, we continue to rely on the regression-based analysis

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<sup>75</sup> See *Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products from Canada*, 67 FR 15545 (April 2, 2002) (*Lumber from Canada*), and accompanying IDM at "Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit."

<sup>76</sup> See *CFS from the PRC*, and accompanying IDM at Comment 10.

<sup>77</sup> 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.

<sup>78</sup> See World Bank Country Classification, <http://econ.worldbank.org/>; see also Memorandum, "Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Interest Rate Benchmark Memorandum," November 21, 2014 (Loan Benchmark Memorandum).

<sup>79</sup> *Id.*

<sup>80</sup> See, e.g., *Certain Frozen Warmwater Shrimp from the People's Republic of China: Preliminary Countervailing Duty Determination*, 78 FR 33346 (June 4, 2013) and accompanying Preliminary Decision Memorandum (PDM) at "Benchmarks and Discount Rates" (unchanged in *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013)).

<sup>81</sup> See Loan Benchmark Memorandum.

<sup>82</sup> *Id.*

used since *CFS from the PRC* to compute the benchmarks for the years from 2001-2009 and 2011-2013. 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 used the interest and inflation rates reported in the IFS for the countries identified as "upper middle income" by the World Bank for 2010-2013 and "lower middle income" for 2001-2009.<sup>83</sup> 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. For example, Jordan reported a deposit rate, not a lending rate, and the rates reported by Ecuador and Timor L'Este are dollar-denominated rates; therefore, the rates for these three countries have been excluded. Finally, for each year the Department calculated an inflation-adjusted short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question.<sup>84</sup> Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.<sup>85</sup>

For loans denominated in U.S. dollars, we are again following the methodology developed over a number of successive PRC investigations. Specifically, for U.S. dollar 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 rates for companies with a BB rating. Likewise, for 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.

#### 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 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.<sup>86</sup>

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

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<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> See, e.g., *Thermal Paper from the PRC*, and accompanying IDM at 10.

or approximates the number of years of the term of the loan in question.<sup>87</sup> Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.<sup>88</sup>

### 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. The resulting inflation-adjusted benchmark lending rates are provided in our Loan Benchmark Memorandum.

### D. *Discount Rates*

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided non-recurring subsidies.<sup>89</sup> The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Preliminary Calculation Memoranda.<sup>90</sup>

### E. *Input Benchmarks*

We selected the benchmarks for measuring the adequacy of the remuneration for carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber in accordance with 19 CFR 351.511(a).<sup>91</sup> As discussed below in more detail under “Application of AFA: Input Industries are Distorted,” we are relying on external benchmarks for determining the benefit from the provisions of carbon black, nylon cord, and synthetic rubber and butadiene at less than adequate remuneration (LTAR). Additionally, given the large percentage of domestic consumption of

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<sup>87</sup> 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.

<sup>88</sup> See, generally, Preliminary Analysis Memoranda.

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*

<sup>91</sup> *Id.*

natural rubber accounted for by imports, we determine that an internal benchmark is appropriate for determining the benefit from the provision of natural rubber at LTAR.<sup>92</sup>

## **XII. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES**

Sections 776(a)(1) and (2) of the Act provide that the Department shall, subject to section 782(d) of the Act, apply “facts otherwise available” if necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by 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 fails to cooperate by not acting to the best of its ability to comply with a request for information. For purposes of this preliminary determination, we find it necessary to rely on AFA with respect to the GOC and Yongsheng, as described below.

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is “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.”<sup>93</sup> It is the Department’s practice to consider information to be corroborated if it has probative value.<sup>94</sup> In analyzing whether information has probative value, it is the Department’s practice to examine the reliability and relevance of the information to be used.<sup>95</sup> However, the SAA emphasizes that the Department need not prove that the selected facts available are the best alternative information.<sup>96</sup> For purposes of this preliminary determination, we find it necessary to apply AFA in the following circumstances, outlined below.

### *Selection of AFA*

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1)-(2) state that the Department may 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. When selecting an adverse rate from among the possible sources of information, the Department’s practice is to ensure that the rate is sufficiently adverse

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<sup>92</sup> See *Certain New Pneumatic Off-the-Road Tires From the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Negative Determination of Critical Circumstances*, 73 FR 40480 (July 15, 2008) (*OTR Tires Final Determination*), and accompanying IDM at 11.

<sup>93</sup> See, e.g., Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, Vol. I, at 870 (1994), reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (SAA), at 870.

<sup>94</sup> *Id.*

<sup>95</sup> See, e.g., SAA, at 869.

<sup>96</sup> *Id.*, at 869-870.

“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.”<sup>97</sup> The Department’s practice also ensures “that the party does not obtain a more favorable result by failing to cooperate than if it had cooperating fully.”<sup>98</sup>

#### *Application of AFA: Yongsheng*

As discussed above, in the “Initiation and Case History” section, the Department selected Yongsheng as a mandatory respondent and issued the Initial Questionnaire to the GOC, with instructions to provide the questionnaire to the respondent company, as well as to Yongsheng directly. However, Yongsheng did not provide a response to that questionnaire and expressly withdrew from participating in this proceeding as a mandatory respondent.<sup>99</sup> Specifically, on October 6, 2014, Yongsheng submitted a letter to the Department stating that it “withdraw{s} from participation as a mandatory respondent, through responses to questionnaires, in the above-referenced investigation.”<sup>100</sup> As a result of Yongsheng’s failure to participate in this investigation and its decision not to respond to the initial questionnaire, we preliminarily find that Yongsheng withheld information that had been requested and failed to provide information within the deadlines established. Further, by not responding to the questionnaire, Yongsheng significantly impeded this proceeding. Thus, in reaching a preliminary determination, pursuant to sections 776(a)(2)(A)-(C) of the Act, we based the CVD rate for Yongsheng on facts otherwise available.

Moreover, we preliminarily determine that an adverse inference is warranted, pursuant to section 776(b) of the Act, because, by not responding to the initial questionnaire, Yongsheng did not cooperate to the best of its ability to comply with the request for information in this investigation. Accordingly, we preliminarily find that use of AFA is warranted to ensure that Yongsheng does not obtain a more favorable result by failing to cooperate than if it had fully complied with our request for information. We have, however, taken into consideration information the GOC has provided concerning the countervailability (*i.e.*, whether there is a financial contribution and whether the program is specific) of the programs the GOC has identified as being used by Yongsheng. The GOC provided information concerning the countervailability of 17 programs, and, as explained below, the Department is preliminarily finding 15 of these 17 to be countervailable in this investigation, one to be not countervailable (Provision of Water to Foreign-Invested Enterprises (FIEs) for Less Than Adequate Remuneration), and one requiring additional information (Tax Awards). We have included the 15 programs found countervailable in the determination of Yongsheng’s AFA rate and have excluded water at LTAR and tax awards.<sup>101</sup>

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<sup>97</sup> See, e.g., *Drill Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 76 FR 1971 (January 11, 2011); see also *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

<sup>98</sup> See SAA, at 4199.

<sup>99</sup> See Yongsheng Withdrawal Letter.

<sup>100</sup> *Id.*

<sup>101</sup> See Appendix.

We are including all other allegations under investigation in the determination of Yongsheng's AFA rate.<sup>102</sup> The GOC provided no information on these programs, under the assumption that Yongsheng had not used them. However, we are adversely inferring from Yongsheng's decision not to participate in this investigation that it did, in fact, use these programs. We note that the Department has either countervailed these programs before or finds that current record information supports that these programs constitute financial contributions and meet the specificity requirements of the Act.<sup>103</sup>

It is the Department's practice in CVD proceedings to compute a total AFA rate for the non-cooperating company using the highest calculated program-specific rates determined for the cooperating respondents in the instant investigation, or, if not available, rates calculated in prior CVD cases involving the same country.<sup>104</sup> Specifically, the Department applies the highest calculated rate for the identical program in the investigation if a responding company used the identical program and the rate is not *de minimis*. If there is no identical program match within the investigation, or if the rate is *de minimis*, the Department uses the highest non-*de minimis* rate calculated for the same or for a similar program (based on treatment of the benefit) in another CVD proceeding involving the same country. Absent an above-*de minimis* subsidy rate calculated for the same or for a similar program, the Department applies the highest calculated subsidy rate for any program otherwise identified in a CVD case involving the same country that could conceivably be used by the non-cooperating company.<sup>105</sup>

In using AFA for Yongsheng, we are guided by the Department's methodology detailed above. We begin by selecting, as AFA, the highest calculated program-specific (non-*de minimis*) rates determined for the cooperating respondents in the instant investigation. Accordingly, we are applying the highest applicable subsidy rate calculated for either GITI Fujian or Cooper for the following programs:

- Enterprise Income Tax Law, Research and Development (R&D) Program
- Two Free, Three Half Program for FIEs
- Import Tariff and Value-Added Tax (VAT) Exemptions for Imported Equipment
- VAT Exemptions and Deductions for Central Regions

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<sup>102</sup> With the exception of certain small grants, which we determined to investigate on a company-specific basis, since information provided in the Petition regarding these subsidies was company-specific.

<sup>103</sup> See *infra* notes 109-125; see also CVD Initiation Checklist.

<sup>104</sup> See, e.g., *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 73 FR 70971, 70975 (November 24, 2008) (unchanged in *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 29180 (June 19, 2009), and accompanying IDM at "Application of Facts Available, Including the Application of Adverse Inferences"); see also *Aluminum Extrusions from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) (*Aluminum Extrusions Final Determination*), and accompanying IDM at "Application of Adverse Inferences: Non-Cooperative Companies."

<sup>105</sup> *Id.*; see also, e.g., *Thermal Paper from the PRC*, and accompanying IDM at "Selection of the Adverse Facts Available Rate."

- Government Policy Lending<sup>106</sup>
- Export Buyer’s Credits and Export Seller’s Credits from State-Owned Banks
- Provision of Carbon Black for LTAR
- Provision of Nylon Cord for LTAR
- Provision of Synthetic Rubber and Butadiene for LTAR
- Provision of Electricity for LTAR
- Special Fund for Energy-Saving Technology Reform

To calculate the program rate for the two additional income tax reduction programs on which the Department initiated an investigation, “Income Tax Reduction for High-and New-Technology Enterprises (HNTEs)” and “Income Tax Reduction for Advanced-Technology FIEs,” we applied an adverse inference that Yongsheng paid no income tax during the POI. During the POI, the standard income tax rate for corporations in the PRC in effect was 25 percent.<sup>107</sup> Thus, the highest possible benefit for these two income tax programs is 25 percent. Accordingly, we are applying the 25 percent AFA rate on a combined basis (*i.e.*, the two programs, combined, provide a 25 percent benefit). Consistent with past practice, the 25 percent AFA rate does not apply to the tax credit, tax rebate, or import tariff and VAT exemption programs because such programs may not affect the tax rate.<sup>108</sup>

For all programs other than those previously mentioned, we are applying, where available, the highest subsidy rate calculated for the same or similar program in a PRC CVD investigation or administrative review. For this preliminary determination, we are able to match, based on program names, descriptions, and benefit treatments, the following programs to the same programs from other PRC CVD proceedings:

- Funds for “Outward Expansion” of Industries in Guangdong Province<sup>109</sup>
- Export Credit Insurance Subsidies<sup>110</sup>

We are able to match, based on program type and benefit treatment, the following programs to similar programs from other PRC CVD proceedings:

- Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs<sup>111</sup>
- Income Tax Credits for Domestically-Owned Companies Purchasing Chinese-Made Equipment<sup>112</sup>

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<sup>106</sup> Consistent with recent investigations, we are using a single AFA rate for “Government Policy Lending” and “Preferential Loans to SOEs,” because an analysis of the specifics of these two allegations in this investigation reveals they would apply to the same loans provided by state-owned commercial banks. *See, e.g., Grain-Oriented Electrical Steel from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 59221 (October 1, 2014), and accompanying IDM at “Use of Facts Otherwise Available and Adverse Inferences.”

<sup>107</sup> *See* CVD Petition, at III-89.

<sup>108</sup> *See, e.g., Aluminum Extrusions Final Determination*, and accompanying IDM at “Application of Adverse Inferences: Non-Cooperative Companies.”

<sup>109</sup> *See Thermal Paper from the PRC*, and accompanying IDM at 19.

<sup>110</sup> *See Chlorinated Isocyanurates from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 56560 (September 22, 2014), and accompanying IDM at 13.

<sup>111</sup> *See Citric Acid and Certain Citrate Sales from the People’s Republic of China: Final Results of Countervailing Duty Administrative Review*, 76 FR 77206 (December 12, 2011), and accompanying IDM at 15.

<sup>112</sup> *Id.*

- VAT Refunds for FIEs on Purchases of Chinese-Made Equipment<sup>113</sup>
- VAT Refunds for Domestic Firms on Purchases of Chinese-Made Equipment<sup>114</sup>
- Discounted Loans for Export-Oriented Enterprises<sup>115</sup>
- Provision of Natural Rubber for LTAR<sup>116</sup>
- Provision of Land-Use Rights to Passenger Tire Producers for LTAR<sup>117</sup>
- Provision of Land-Use Rights to SOEs for LTAR<sup>118</sup>
- Provision of Land-Use Rights to FIEs for LTAR<sup>119</sup>
- Provision of Land-Use Rights in Industrial and Other Special Economic Zones for LTAR<sup>120</sup>
- Export Credit Guarantees<sup>121</sup>
- Famous Brands Program<sup>122</sup>
- The Clean Productions Technology Fund<sup>123</sup>
- State Key Technology Renovation Project Fund<sup>124</sup>
- Export Interest Subsidy Funds for Enterprises Located in Guangdong and Zhejiang Provinces<sup>125</sup>

Accordingly, we preliminarily determine the AFA countervailable subsidy rate for Yongsheng to be 81.13 percent *ad valorem*.<sup>126</sup>

### *Corroboration*

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at

<sup>113</sup> See *Certain Magnesite Carbon Bricks From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 45472 (August 2, 2010) (*Bricks Investigation*), and accompanying IDM at “1. VAT Rebates on Purchases of Domestically Produced Equipment.”

<sup>114</sup> *Id.*

<sup>115</sup> See *Certain Coated Paper Suitable for High Quality Print Graphics Using Sheet Fed Presses from the People's Republic of China: Amended Final Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201, 70202 (November 17, 2010).

<sup>116</sup> See *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 72 FR 71360, 71374 (December 17, 2007).

<sup>117</sup> 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), and accompanying IDM at 24.

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*

<sup>120</sup> See *Aluminum Extrusions Final Determination*, and accompanying IDM at “T. Provision of Land-Use Rights and Fee Exemptions To Enterprises Located in the ZHITDZ for LTAR.”

<sup>121</sup> See *Aluminum Extrusions from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review; 2012*, 79 FR 36009 (June 25, 2014), and accompanying PDM at 33.

<sup>122</sup> See *Utility Scale Wind Towers from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 75978 (December 26, 2012) (*Wind Towers from the PRC*), and accompanying IDM at 22; see also *Aluminum Extrusions Final Determination*, and accompanying IDM at 18.

<sup>123</sup> See *Wind Towers from the PRC*, and accompany IDM at 22.

<sup>124</sup> *Id.*; see also *OTR Tires Final Determination*, and accompanying IDM at 23.

<sup>125</sup> See *Wind Towers from the PRC*, and accompany IDM at 22.

<sup>126</sup> See Appendix.

its disposal. Secondary information is defined as “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”<sup>127</sup> The SAA provides that to “corroborate” secondary information, the Department will satisfy itself that the secondary information to be used has probative value.<sup>128</sup>

The Department will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that the Department need not prove that the selected facts available are the best alternative information.<sup>129</sup>

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. With respect to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. The Department will not use information where circumstances indicate that the information is not appropriate as AFA.<sup>130</sup>

In the absence of record evidence concerning Yongsheng’s usage of the subsidy programs at issue due to its decision not to participate in the investigation, the Department has reviewed the information concerning PRC subsidy programs in other cases. Where we have a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs in this case. The relevance of these rates is that they are actual calculated CVD rates for PRC programs, from which Yongsheng could actually receive a benefit. Due to the lack of participation by Yongsheng and the resulting lack of record information concerning these programs, the Department has corroborated the rates it selected to use as AFA to the extent practicable for this preliminary determination.

#### *Application of AFA: Input Producers are “Authorities”*

As discussed below under the section “Programs Preliminarily Determined to be Countervailable,” the Department is investigating the provision of carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber for LTAR by the GOC. We requested information from the GOC regarding the specific companies that produced these input products that GITI Fujian, Cooper, and their respective cross-owned companies purchased during the POI.<sup>131</sup> Specifically, we sought information from the GOC that would allow us to determine whether the producers are “authorities” within the meaning of section 771(5)(B) of the Act.<sup>132</sup> In

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<sup>127</sup> See SAA, at 870.

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*, at 869-870.

<sup>130</sup> See, e.g., *Fresh Cut Flowers From Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812 (February 22, 1996).

<sup>131</sup> See Initial Questionnaire, at section II-9 to II-18, and section III-13 to III-17.

<sup>132</sup> *Id.*, at section II, “Input Producer Appendix”

our initial and supplemental questionnaire, we requested detailed information from the GOC that would be needed for this analysis.<sup>133</sup>

Regarding those companies classified by the GOC as privately-held, in its initial questionnaire response of October 6, 2014, the GOC provided incomplete ownership information for many of the companies that produced the carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber purchased by GITI Fujian and Cooper.<sup>134</sup> For the vast majority of these producers, it provided none of the information requested in the standard “input producers” appendix the Department issues to determine the individual owners of producers and to determine the extent of GOC control, if any, over the producers.<sup>135</sup> For example, for the vast majority of producers, it did not provide capital verification reports, articles of association, business registrations, or any other documents demonstrating the producers’ ownership. For other producers, it provided some information, mainly business registrations and a handful of company structure charts attempting to trace ownership back to the ultimate individual owners, but not enough to trace ownership back to the ultimate individual owners, as the questionnaire requested.<sup>136</sup> The GOC informed the Department that it could not collect the “huge” amount of documentation and information required in the Input Producer Appendix in such a limited period of time, but that it was submitting the basic information and ownership structure of the producers “taking 60 percent to 95 percent or more of the inputs supplied to the mandatory respondents.”<sup>137</sup>

Further, the GOC provided no information at all – either in the initial response or its October 31, 2014, supplemental response – regarding the identification of owners, directors, or senior managers who were also GOC or CCP officials.<sup>138</sup> Nor did the GOC explain the efforts it undertook to try and obtain the requested information. Furthermore, the GOC stated that “there is no governmental data system that can compile, keep or upon request provide data or information, in regard to political attitude and/or party or organization affiliations of an individual businessman. Similarly, the Bureau of Industrial and Commercial Administration at all levels also do not require companies to provide information or data in this regard. Therefore, it is beyond the capacity of the GOC to access the information requested by the Department in this regard.”<sup>139</sup> As such, the GOC claimed it was unable to respond to the Department’s questions.<sup>140</sup>

In addition to not providing all of the requested information regarding government and CCP officials, the GOC also declined to answer questions about the CCP’s structure and functions that are relevant to our determination of whether the producers of carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber are “authorities” within the meaning of section 771(5)(B) of the Act. In its initial questionnaire response, the GOC objected to our questions,

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<sup>133</sup> *Id.*; see also GOC’s October 31 SQR.

<sup>134</sup> See GOC’s Initial QR, at 38-135.

<sup>135</sup> *Id.*

<sup>136</sup> See, e.g., GOC’s Initial QR, at exhibits 53 and 54.

<sup>137</sup> *Id.*, at 38.

<sup>138</sup> *Id.*, e.g., at 50; see also GOC’s October 31 SQR.

<sup>139</sup> See GOC’s Initial QR, at 48.

<sup>140</sup> *Id.*

stating that the CCP, along with other related organizations, is not a government organization and cannot be compelled to provide the GOC with information.<sup>141</sup>

The information we requested regarding the role of CCP officials in the management and operations of these producers is necessary to our determination of whether these producers are “authorities” within the meaning of section 771(5)(B) of the Act.<sup>142</sup> The GOC did not indicate that it had attempted to contact the CCP, or that it consulted any other sources. The GOC’s responses in prior CVD proceedings involving the PRC demonstrate that it is, in fact, able to access information similar to what we requested.<sup>143</sup> Additionally, pursuant to section 782(c) of the Act, if the GOC could not provide any information, it should have promptly explained to the Department what attempts it undertook to obtain this information and proposed alternative forms of providing the information.<sup>144</sup>

We preliminarily find that the GOC has the necessary information that was requested of it and, thus, that the Department must rely on “facts otherwise available” in issuing our preliminary determination, pursuant to section 776(a)(2)(A) of the Act. Moreover, we preliminarily find that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, we find that an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. As AFA, we are finding that certain producers of carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber, for which the GOC failed to identify whether the members of the board of directors, owners or senior managers were CCP officials, are “authorities” within the meaning of section 771(5)(B) of the Act.

For details on the calculation of the subsidy rate for the respondents, see below at “Provision of Inputs for LTAR.”

#### *Application of AFA: Input Industries are Distorted*

In order to determine the appropriate benchmark with which to measure the benefit of inputs provided at LTAR under 19 CFR 351.511, the Department asked the GOC several questions

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<sup>141</sup> See, e.g., GOC’s Initial QR, at 39.

<sup>142</sup> See Memorandum, “Additional Documents for Preliminary Determination,” November 21, 2014 (Additional Documents Memorandum), which includes the “CCP Memorandum” and the “Public Body Memorandum,” at Attachments I and II.

<sup>143</sup> 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.

<sup>144</sup> Section 782(c)(1) of the Act states, “If 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 of 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.” Furthermore, the Department’s questionnaire explicitly informs respondents that if they are unable to respond completely to every question in the attached questionnaire by the established deadline, or are unable to provide all requested supporting documentation by the same date, the respondents must notify the official in charge and submit a request for an extension of the deadline for all or part of the questionnaire response.

concerning the structure of the industries for carbon black, nylon cord, and synthetic and natural rubber. Among these questions we asked for “[t]he total volume and value of domestic production that is accounted for by companies in which the Government maintains an ownership or management interest either directly or through other Government entities.” In response, the GOC stated that it “does not collect or maintain the volume and value of domestic production of this type of product by companies in which the Government maintains an ownership or management interest either directly or through other Government entities in the ordinary course of its work.”<sup>145</sup> When we asked again for this information in a supplemental questionnaire, the GOC stated the following, referring to the National Bureau of Statistics of the PRC (sometimes referred to as the State Statistical Bureau (SSB)):

The Bureau indicated that it did not include any factor with regard whether the GOC maintains an ownership or management interest either directly or indirectly in a producer in its statistics data system, so it cannot separate the total volume and volume of domestic production that is accounted for by the companies in which the Government maintains an ownership or management interest either directly or through other government entities, for any of the inputs, from the total domestic production for any of the inputs (carbon black, nylon cord, synthetic rubber and butadiene, and natural rubber).<sup>146</sup>

The GOC also stated that the SSB does not maintain information on the number of producers at all for carbon black, nylon cord, and natural rubber, and referred the Department to an untranslated webpage of the SSB.<sup>147</sup> The GOC did not explain why it limited its query to the SSB.

Insofar as the GOC is claiming the data is unavailable, such a claim is in contrast to what the Department learned during the investigation of off-the-road tires. In that investigation, “the GOC provided information on the total production and consumption of natural and synthetic rubber in the PRC as well as the relative shares of such rubber produced by SOEs, produced by private Chinese companies, or imported.”<sup>148</sup> Moreover, the GOC has routinely provided data concerning the production of inputs by companies in which it maintains an ownership or management interest in other proceedings.<sup>149</sup> In the ongoing investigation of solar products, for example, the GOC provided such information for polysilicon, aluminum sections, and flat glass.<sup>150</sup> In that investigation, the GOC stated that it gathered such information from the SSB; e.g., “[t]he GOC provides the total output volume of polysilicon by companies in which the GOC maintains an ownership or management interest either directly or through other

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<sup>145</sup> See, e.g., the GOC’s response to the question concerning carbon black at GOC’s Initial QR at 56. Its responses to the same question concerning nylon cord, synthetic rubber, and natural rubber were identical.

<sup>146</sup> See GOC’s October 31 SQR, at 11.

<sup>147</sup> *Id.*, at 10.

<sup>148</sup> See *OTR Tires Final Determination*, and accompanying IDM at 11.

<sup>149</sup> See *Certain Crystalline Silicon Photovoltaic Products From the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 79 FR 33174 (June 10, 2014) (*Solar Products Preliminary Determination*), and accompanying IDM at 14-15; see also *Countervailing Duty Investigation of 1,1,1,2-Tetrafluoroethane From the People’s Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination With Final Antidumping Determination*, 79 FR 21895 (April 18, 2014), and accompanying IDM at 17 (unchanged in *Countervailing Duty Investigation of 1,1,1,2 Tetrafluoroethane From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 62594 (October 20, 2014)).

<sup>150</sup> See *Solar Products Preliminary Determination*.

government entities in 2010, 2011 and 2012 as maintained by SSB.”<sup>151</sup> It later elaborated that “[t]he SSB does not routinely gather information on the actual shareholders of companies. Instead, the SSB relies on the enterprises’ declaration and enterprise registration made with the authority for Industry and Commerce.”<sup>152</sup> It also provided a list of industry codes available in the SSB statistics system. The list includes “Manufacture of Rubber and Plastic Products” (e.g., synthetic and natural rubber), “Processing of Petroleum, Coking and Processing of Nuclear Fuel” (e.g., carbon black), and “Manufacture of Chemical Fibres” (e.g. nylon cord).<sup>153</sup>

During the verification of the solar products investigation, the GOC explained that the SSB industry codes are further broken down within its system into sub-codes for particular products and industry sub-divisions.<sup>154</sup> All-in-all, the GOC explained, it maintains data for more than 360,000 enterprises on an annual basis,<sup>155</sup> and the database viewed by the Department at verification included a column for shareholding information.<sup>156</sup>

Thus it seems clear that the GOC, through the SSB or other means (e.g., industry associations) is able to report information concerning the production of a wide variety of inputs by companies in which it maintains an ownership or management interest. Therefore, we determine the GOC has withheld information that was requested of it, and that the use of facts available is warranted pursuant to section 776(a)(2)(A) of the Act. Further, we find that the GOC has not cooperated to the best of its ability in failing to provide requested information concerning the extent of the GOC’s involvement in the production of synthetic rubber, carbon black, and nylon cord. As a result, we are using an adverse inference. As AFA, the Department preliminarily determines that the domestic markets for these inputs are distorted through the intervention of the GOC and is relying on an external benchmark for determining the benefit from the provision of these inputs at LTAR. However, we have determined that an internal benchmark is appropriate for determining the benefit from the provision of natural rubber at LTAR, given the large percentage of domestic consumption of natural rubber accounted for by imports.<sup>157</sup>

#### *Application of AFA: Provision of Electricity for LTAR*

The GOC did not provide complete responses to the Department’s questions regarding the alleged provision of electricity for LTAR. These questions requested information to determine whether the provision of electricity constituted a financial contribution within the meaning of section 771(5)(D) of the Act, whether such a provision provided a benefit within the meaning of section 771(5)(E) of the Act, and whether such a provision was specific with the meaning of

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<sup>151</sup> See Additional Documents Memorandum, at Attachment III (which places on the record of this investigation the GOC’s April 21, 2014 questionnaire response in the investigation of certain crystalline silicon photovoltaic products (solar products) from the PRC, at 130. The GOC made the same statements about aluminum sections and flat glass).

<sup>152</sup> *Id.*, at Attachment IV (which places on the record of this investigation the GOC’s July 29, 2014 questionnaire response in the investigation of solar products, at 2).

<sup>153</sup> *Id.*, at exhibit S2-1.A.

<sup>154</sup> *Id.*, at Attachment V (which places on the record of this investigation the Memorandum from Justin Neuman to Mark Hoadley, “Countervailing Duty Investigation of Certain Crystalline Silicon Photovoltaic Products from the People’s Republic of China; Verification of the Questionnaire Responses Submitted by the Government of the People’s Republic of China,” October 3, 2014, at 8).

<sup>155</sup> *Id.*, at Attachment VI (page 7).

<sup>156</sup> *Id.*, at Attachment VI (page 11).

<sup>157</sup> See GOC’s Initial QR, at 125.

section 771(5A) of the Act. In the Department’s original questionnaire, for each province in which a respondent is located, the Department asked the GOC to provide a detailed explanation of: (1) how increases in the cost elements in the price proposals led to retail price increases for electricity; (2) how increases in labor costs, capital expenses, and transmission and distribution costs are factored into the price proposals for increases in electricity rates; and (3) how the cost element increases in the price proposals and the final price increases were allocated across the province and across tariff end-user categories. In its initial questionnaire response, the GOC did not adequately address these questions.<sup>158</sup>

The GOC did not explain how cost elements in the price proposals led to retail price increases, but stated, without any supporting documents or providing the relevant laws and regulations referenced, that “the {National Development and Reform Commission (NDRC)} should, according to relevant laws and regulations, adequately solicit the opinions from local authorities in the provinces, power grid and generation companies. For this purpose, the NDRC holds a series of conferences to solicit the opinions from all parties concerned. In these conferences, the impact of rising coal prices on the business operations of the power enterprises, the security of the power supply under such circumstances, and the matters in promoting energy conservation were researched, analyzed, and discussed.”<sup>159</sup> The GOC did not provide any details on how much each of these factors weighed in its decision-making process, or the specifics on any of these conferences or research. Additionally, the GOC reported that the “cost elements that are considered are not derived from any complicated calculation, but instead are obtained directly from the data provided by the power generating companies and grid companies. Importantly, the price for fuel and coal, which are the main inputs to power generation, is completely determined by the market (including international market forces). The interests of the power generation, transmission and distribution enterprises are adequately considered, and the capacity of users and residents is also taken into account. This makes the electricity rates fully reflective of the changes in the supply and demand of the market, and further the international commitments and government policies made by the GOC for energy conservation and emission reduction.”<sup>160</sup> The GOC provided a general theoretical outline of the cost elements, but provided no practical examples of their application in the provincial rates during the POI.

Moreover, when the Department asked the GOC to explain how the NDRC determines that the price adjustments proposed by the provinces reflect all relevant cost elements, and to explain how the NDRC determines that all relevant cost elements are accurately reported by the provincial level price bureaus, the GOC responded that the NDRC “conducts its review in accordance with relevant legal requirements,” without detailing the legal requirements it refers to.<sup>161</sup> Further, the GOC did not explain how the cost elements in the Price Proposals led to retail price increases for electricity for the provinces where the mandatory respondents are located.<sup>162,</sup>

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<sup>158</sup> See *Galvanized Steel Wire From the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Determination*, 76 FR 55031, 55036 (September 6, 2011) (unchanged in *Galvanized Steel Wire From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 17418 (March 26, 2012)).

<sup>159</sup> See GOC’s Initial QR, at 141-142.

<sup>160</sup> *Id.*, at 143.

<sup>161</sup> *Id.*, at 142.

<sup>162</sup> *Id.*

Consequently, we preliminarily determine that the GOC withheld information that was requested of it and, thus, that the Department must rely on “facts available” in making our preliminary determination.<sup>163</sup> Moreover, we preliminarily determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. The GOC did not adequately answer the questions, nor did the GOC ask for additional time to gather and provide such information. Consequently, an adverse inference is warranted in the application of facts available.<sup>164</sup> In drawing an adverse inference, we find that the GOC’s provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and is specific within the meaning of section 771(5A) of the Act. Because the GOC refused to provide information concerning the relationship (if any) between provincial tariff schedules and cost, we also relied on an adverse inference in selecting the benchmark for determining the existence and amount of the benefit.<sup>165</sup> The benchmark rates we selected are derived from the record of this investigation and are the highest electricity rates on the record for the applicable rate and user categories. For details regarding the remainder of our analysis, *see* the “Provision of Electricity for LTAR” section, below.

### **XIII. ANALYSIS OF PROGRAMS**

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

#### **A. Programs Preliminarily Determined To Be Countervailable and Used by GITI Fujian and Cooper**

##### **1. Government Policy Lending**

Petitioner alleged that the GOC subsidizes producers of passenger tires through preferential loans at interest rates that are considerably lower than market rates.<sup>166</sup> According to Petitioner, the GOC provides for such preferential lending through the *Tire Industry Policy* of 2010 and certain provincial and local government policies because the tire industry is an “encouraged” industry.<sup>167</sup>

GITI Fujian and Cooper, as well as their cross-owned companies, reported having loans outstanding from SOCBs in the PRC during the POI.<sup>168</sup> The Department preliminarily finds that these loans are countervailable. The information on the record indicates the GOC placed great emphasis on targeting the tire industry, including producers of passenger tires, for development in recent years. The “Notice of the Ministry of Industry and Information Technology on Issuing the Tire Industry Policy (Gong Chan Ye Zheng Ce {2010} No.2),” calls specifically for the use of loans in implementing the GOC’s plans for the tire industry: “The works such as investment management, land supply, environment evaluation, energy-saving evaluation, security

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<sup>163</sup> *See* section 776(a)(2)(A) of the Act.

<sup>164</sup> *See* section 776(b) of the Act.

<sup>165</sup> *See* section 776(b)(4) of the Act.

<sup>166</sup> *See* CVD Initiation Checklist, at 8-10.

<sup>167</sup> *See* CVD Petition, at III-8 and III-22.

<sup>168</sup> *See* GITI Fujian’s Initial QR, at exhibits 28-32; *see also* Cooper’s Initial QR at Exhibit A-6.

permission, credit financing and power that are carried out by relevant departments on items including tire industry production construction and technology development should be based on this tire industry policy.”<sup>169</sup> Additionally, the “Catalogue of Chinese High-Technology Products for Export” of 2006 specifically lists “new pneumatic radial tire{s}, of rubber, of a kind used on motor cars (including station wagons and racing cars)” as products encouraged for export.<sup>170</sup>

Certain tire inputs, including synthetic rubber, are also among the “Encouraged Category” of projects listed in the “Catalogue for the Guidance of Foreign Investment Industries (Amended in 2011),”<sup>171</sup> a key component of the “Decision of the State Council on Promulgating the Interim Provisions on Promoting Industrial Structure Adjustment (No. 40 {2005} Guo Fa),” which contains a list of encouraged projects the GOC develops through loans and other forms of assistance, and which the Department relied upon in prior specificity determinations.<sup>172</sup>

The Department has also countervailed this program in a previous investigation.<sup>173</sup> In that investigation, while the subject merchandise was off-the-road tires, the government lending program identifies, through a government circular, the production of “meridian tyres” (*i.e.*, radial tires) as a national priority under the GOC 10th Five-Year Plan and states that “we should . . . reasonably direct the contribution of public funds . . . so as to . . . guarantee the realization of the target. . . .”<sup>174</sup> We found that the government lending program targeted “radial tires,” not off-the-road tires specifically.<sup>175</sup> In this current investigation, radial tires are being investigated under the current scope.

Therefore, given the evidence demonstrating the GOC’s objective of developing the tire sector, and producers of passenger tires in particular, through preferential loans, we preliminarily determine there is a program of preferential policy lending specific to producers of passenger tires within the meaning of section 771(5A)(D)(i) of the Act. We also preliminarily find that loans from SOCBs under this program constitute financial contributions, pursuant to sections 771(5)(B)(i) and 771(5)(D)(i) of the Act, because SOCBs are “authorities.”<sup>176</sup> The loans provide a benefit equal to the difference between what the recipients paid on their loans and the amount they would have paid on comparable commercial loans.<sup>177</sup> To calculate the benefit from this program, we used the benchmarks discussed above under the “Subsidy Valuation Information” section.<sup>178</sup>

On this basis, we preliminarily determine a subsidy rate of 2.73 percent *ad valorem* for GITI Fujian and 0.30 percent *ad valorem* for Cooper.

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<sup>169</sup> See GOC’s October 31 SQR, at exhibit S2-2.

<sup>170</sup> See GOC’s Initial QR, at exhibit 14.

<sup>171</sup> See, e.g., GOC’s October 31 SQR, at exhibit S2-1 (Production of synthetic rubber).

<sup>172</sup> See, GOC’s Initial QR, at exhibit 9; see also *OTR Tires Final Determination*, and accompanying IDM at “Government Policy Lending” section.

<sup>173</sup> See *OTR Tires Final Determination*, and accompanying IDM at 13.

<sup>174</sup> *Id.*

<sup>175</sup> *Id.*

<sup>176</sup> See, e.g., *OTR Tires Final Determination*, and accompanying IDM at Comment E2.

<sup>177</sup> See section 771(5)(E)(ii) of the Act.

<sup>178</sup> See also 19 CFR 351.505(c).

## 2. Export Seller's Credits from State-Owned Banks

Petitioner maintains that the Export-Import Bank of China (China ExIm Bank), as well as other SOCBs, provides support to exporters through a variety of means, including the export seller's credit.<sup>179</sup> The GOC provided the "Interim Rules for the Export Seller's Credit of Export-Import Bank of China," which states in Article 4 that "{t}he project loan of the seller's credit on exports refers to the special policy-based loan issued by the Export-Import Bank of China to the exporters for supporting the export of the complete equipment, ships, airplanes, communications satellites and the spare parts."<sup>180</sup> As part of the application requirements, enterprises must have "{a}pproval files for the import-export operation right."<sup>181</sup>

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

To calculate the benefit under this program, we compared the amount of interest GITI Fujian paid on the outstanding loans to the amount of interest the company would have paid on comparable commercial loans. In conducting this comparison, we used the interest rates described in the "Benchmarks and Discount Rates" section above. We divided the total benefit amount by the GITI Fujian's export sales during the POR.

On this basis, we preliminarily determine a subsidy rate of 0.45 percent *ad valorem* for GITI Fujian.

## 3. Provision of Inputs for LTAR

### a. Provision of Carbon Black, Nylon Cord and Synthetic Rubber and Butadiene for LTAR

Petitioner alleged that the respondents received countervailable subsidies in the form of the provision of carbon black, nylon cord, and synthetic rubber and butadiene for LTAR.<sup>182</sup> We requested information from the GOC regarding the specific companies that produced these input products that GITI Fujian, Cooper, and their respective cross-owned companies purchased during the POI.<sup>183</sup> Specifically, we sought information from the GOC that would allow us to determine whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act. The GOC provided information indicating several producers of carbon black, nylon cord,

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<sup>179</sup> See CVD Initiation Checklist, at 12-13.

<sup>180</sup> See GOC's Initial QR, at exhibit 35.

<sup>181</sup> *Id.*

<sup>182</sup> See CVD Initiation Checklist, at 16-24.

<sup>183</sup> See Initial Questionnaire, at section II-9 to II-18, and section III-13 to III-17.

synthetic rubber and butadiene, and natural rubber are state-owned enterprises (SOEs).<sup>184</sup> We understand the GOC's classification of certain companies as SOEs to mean that those companies are majority-owned by the government. As explained in the Public Body Memorandum, majority state-owned enterprises in the PRC possess, exercise, or are vested with governmental authority.<sup>185</sup> The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we preliminarily determine that these entities constitute "authorities" within the meaning of section 771(5)(B) of the Act and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act.<sup>186</sup>

As described above in the "Use of Facts Otherwise Available and Adverse Inferences" section, for the remaining producers, the GOC failed to cooperate to the best of its ability in responding to our requests for information. Therefore, we determine as AFA that the remaining producers of carbon black, nylon cord, and synthetic rubber and butadiene purchased by both respondents are "authorities" within the meaning of section 771(5)(B) of the Act and, as such, that the provision of carbon black, nylon cord, and synthetic rubber and butadiene constitutes a financial contribution under section 771(5)(D)(iii) of the Act.

In response to our questions concerning specificity, the GOC stated: "carbon black is mainly used for the production of rubber products, in which tire production accounts for 67.5% of the total consumption, automobile using rubber products takes 9.5% and other rubber products takes 12%..."<sup>187</sup> Additionally, the GOC noted that, "nylon cord is used not only as an input in the tire industry but also in the production of conveyor belts, traveling belts, fishing nets and cable production, carpet, parachutes, air bags for restraint system and the fabric/garment industry..."<sup>188</sup> The GOC states that synthetic rubber is "widely used in the production of tires, rubber footwear, rubber tape, rubber hose, rubber plate, rubber covered roller, electric wire and cable and many other rubber products industries."<sup>189</sup> Accordingly, we preliminarily determine that the recipients of carbon black, nylon cord, and synthetic rubber and butadiene for LTAR are limited in number within the meaning of section 771(5A)(D)(iii)(I) of the Act. Additionally, as AFA, we have determined that the domestic markets for these inputs are distorted through the intervention of the GOC and are relying on an external benchmark for determining the benefit from the provision of these inputs at LTAR.

As discussed above under the "Benchmarks and Discount Rates" section, the Department is selecting for carbon black, nylon cord, and synthetic rubber and butadiene external benchmark prices, *i.e.*, "tier two" or world market prices derived from GTA export data (for carbon black and nylon cord) and weekly spot prices of polybutadiene rubber and styrene butadiene rubber 1502, and styrene butadiene rubber 1712 from 2014 Reed Business Information Limited,

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<sup>184</sup> See GOC's October 31 SQR, at exhibits S-1 - S-5.

<sup>185</sup> See Additional Documents Memorandum, at Attachments I and II.

<sup>186</sup> See *Oil Country Tubular Goods from the People's Republic of China; Final Results of Countervailing Duty Administrative Review*; 2012, 79 FR 52301 (September 3, 2014) (*OCTG from the PRC Final Results*), and accompanying IDM at Comment 6.

<sup>187</sup> See GOC's October 31 SQR, at exhibit S-10.

<sup>188</sup> *Id.*, at exhibit S-11.

<sup>189</sup> *Id.*, at exhibit S-12.

submitted by GITI Fujian (for synthetic rubber and butadiene).<sup>190</sup> The Department adjusted the benchmark price to include delivery charges, import duties, and VAT pursuant to 19 CFR 351.511(a)(2)(iv).<sup>191</sup> Regarding delivery charges, we included ocean freight and the inland freight charges that would be incurred to deliver carbon black, nylon cord, and synthetic rubber and butadiene to respondents' production facilities. We added import duties as reported by the GOC, and the VAT applicable to imports of carbon black, nylon cord, and synthetic rubber and butadiene into the PRC, also as reported by the GOC.<sup>192</sup> In calculating VAT, we applied the applicable VAT rate to the benchmark after first adding amounts for ocean freight and import duties. We compared these monthly benchmark prices to the respondents' reported purchase prices for individual domestic transactions, including VAT and delivery charges.<sup>193</sup>

Based on this comparison, we preliminarily determine that carbon black, nylon cord, and synthetic rubber and butadiene were provided for LTAR and that a benefit exists for each respondent in the amount of the difference between the benchmark prices and the prices each respondent paid.<sup>194</sup> We divided the total benefits for each respondent by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above, and in the Preliminary Calculation Memoranda.

On this basis, we preliminarily determine a subsidy rate of 9.89 percent *ad valorem* for GITI Fujian and 10.47 percent *ad valorem* for Cooper for carbon black; 0.25 percent *ad valorem* for GITI Fujian and 0.48 percent *ad valorem* for Cooper for nylon cord; and 0.80 percent *ad valorem* for GITI Fujian and 0.96 percent *ad valorem* for Cooper for synthetic rubber and butadiene.

b. Provision of Electricity for LTAR

Petitioner alleged that particular industries are eligible for discounted electricity rates pursuant to the GOC's policy to promote production of such industries, and that central, provincial, and local governments established policies to provide preferential electricity rates to attract investment to their respective areas.<sup>195</sup> The CVD Petition also noted that the Department previously found that electricity prices are set by the central government, and that those rates differ between regions.<sup>196</sup> The CVD Petition further alleged that several Chinese provinces offer power at preferential rates to local subject merchandise producers. Thus, according to the CVD Petition, producers of subject merchandise likely receive electricity at no cost or at rates that are well below market value.<sup>197</sup>

Because of the GOC's unwillingness to remedy deficiencies in its questionnaire responses, as explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we

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<sup>190</sup> See Letter from GITI Fujian, "Passenger Vehicle and Light Truck Tires from the People's Republic of China: Factual Information Related to Suppliers & Supply Chain," October 22, 2014, at exhibit 5.

<sup>191</sup> See Preliminary Analysis Memoranda.

<sup>192</sup> See GOC's Initial QR, at 58, 81, and 104, respectively; see also Preliminary Analysis Memoranda for a full explanation of how the benchmarks were adjusted.

<sup>193</sup> *Id.*

<sup>194</sup> See 19 CFR 351.511(a).

<sup>195</sup> See CVD Initiation Checklist, at 29.

<sup>196</sup> *Id.*

<sup>197</sup> *Id.*

are basing our determination regarding the government's provision of electricity, in part, on AFA. In a CVD proceeding, the Department requires information from both the government of the country whose merchandise is under investigation and the foreign producers and exporters. When the government fails to provide requested information concerning alleged subsidy programs, the Department, as AFA, typically finds that a financial contribution exists under the alleged program and that the program is specific.<sup>198</sup> However, where possible, the Department will rely on respondents' reported information to determine the existence and the amount of the benefit to the extent that such information is useable and verifiable. Thus, in measuring the benefit under this program, we relied on the usage information reported by the respondents in each instance. GITI Fujian and Cooper each provided data on electricity consumed and electricity rates paid during the POI.<sup>199</sup>

As described above in detail, the GOC did not provide certain information requested regarding its provision of electricity to the respondents and, as a result, we determine as AFA that the GOC is providing a financial contribution that is specific within the meaning of sections 771(5)(D)(iii) and 771(5A)(D) of the Act, respectively. 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 the companies' reported consumption volumes and rates paid. We compared the rates paid by the respondents to the benchmark rates, which, as discussed above, are the highest rates charged in the PRC during the POI. We made separate comparisons by price category (*e.g.*, great industry peak, basic electricity, *etc.*). We multiplied the difference between the benchmark and the price paid by the consumption amount reported for that month and price category. We then calculated the total benefit during the POI for each company by summing the difference between the benchmark prices and the prices paid by each company.

To calculate the electricity benchmark, in accordance with 19 CFR 351.511(a)(2), we selected the highest rates in the PRC for the user category of the respondents (*e.g.*, "large industrial users") for the non-seasonal general, peak, normal, and valley ranges, as provided in the electricity tariff schedules submitted by the GOC.<sup>200</sup> This benchmark reflects an adverse inference, which we drew as a result of the GOC's failure to act to the best of its ability in providing requested information about its provision of electricity in this investigation.<sup>201</sup>

To calculate the subsidy rates, we divided the benefit amount by the appropriate total sales denominator, as discussed in the Preliminary Calculation Memoranda. On this basis, we preliminarily determine countervailable subsidy rates for this program of 2.28 percent *ad valorem* for GITI Fujian and 0.18 percent *ad valorem* for Cooper.

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<sup>198</sup> See, *e.g.*, *Hardwood and Decorative Plywood from the People's Republic of China: Final Affirmative Countervailing Duty Determination; 2011*, 78 FR 58283 (September 23, 2013), and accompanying IDM at Comment 3, "Provision of Electricity."

<sup>199</sup> See GITI Fujian's Initial QR, at exhibits 65 - 70; see also Cooper's Initial QR, at exhibit A-16.

<sup>200</sup> See GOC's Initial QR, at exhibits 19 and 20.

<sup>201</sup> See "Application of AFA: Provision of Electricity for LTAR" section, above.

#### 4. Tax Benefit Programs

##### a. Enterprise Income Tax Law, R&D Program

Under Article 30.1 of the Enterprise Income Tax Law of the PRC, which became effective January 1, 2008, companies may deduct R&D expenses incurred in the development of new technologies, products, or processes from their taxable income.<sup>202</sup> Article 95 of the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (Decree 512 of the State Council, 2007) provides that, if eligible research expenditures do not “form part of the intangible assets value,” an additional 50 percent deduction from taxable income may be taken on top of the actual accrual amount.<sup>203</sup> Where these expenditures form the value of certain intangible assets, the expenditures may be amortized based on 150 percent of the intangible assets costs.<sup>204</sup>

Article 4 of the “Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises’ Expenditures for Research and Development (for Trial Implementation)” (Circular 116) states that enterprises engaged in hi-tech R&D may deduct certain expenditures, as listed in the “Hi-tech Sectors with Primary Support of the State Support and the Guideline of the Latest Key Priority Developmental Areas in the High Technology Industry (2007).”<sup>205</sup> This list was provided by the GOC and indicates the auto industry was included.<sup>206</sup>

GITI Fujian’s cross-owned company, GITI Anhui Radial, reported using this program during the POI.<sup>207</sup> In addition, both Cooper and CCT reported using this program during the POI.<sup>208</sup>

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

To calculate the benefit from this program to GITI Fujian and Cooper, we treated the tax deduction as a recurring benefit, consistent with 19 CFR 351.524(c)(1).<sup>209</sup> To compute the amount of the tax savings, we calculated the amount of tax each respondent would have paid absent the tax deductions at the standard tax rate of 25 percent (*i.e.*, 25 percent of the tax credit).

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<sup>202</sup> See GOC’s Initial QR, at exhibits 22 and 23.

<sup>203</sup> *Id.*, at exhibit 23.

<sup>204</sup> *Id.*

<sup>205</sup> See GOC’s Initial QR, at exhibit S2-4.

<sup>206</sup> *Id.*, at exhibits S2-5 and S2-6.

<sup>207</sup> See GITI Fujian’s Initial QR, at 43 and exhibit 12.

<sup>208</sup> See Cooper’s Initial QR, at III-31 and III-29.

<sup>209</sup> These credits can be for either expensed or capitalized R&D expenditures. If a credit is for capitalized expenditures (*e.g.*, the expenditures were made toward developing an “intangible asset” or patent), however, the 50 percent deduction is amortized across the useful life of the developed asset. Therefore, even credits for capitalized expenditures would be allocated over tax returns filed during a number of years and would thus be recurring. See *e.g.*, *Solar Products Preliminary Determination*, and accompanying PDM at 34-35.

We then divided the tax savings by the appropriate total sales denominator for each respondent, respectively.

On this basis, we preliminarily determine a countervailable subsidy rate of 0.09 percent *ad valorem* for GITI Fujian and 0.11 percent *ad valorem* for Cooper under this program.

b. Two Free, Three Half Program for FIEs

Under Article 8 of the FIE Tax Law, an FIE that is “productive” and scheduled to operate for more than ten years may be exempted from income tax in the first two years of profitability and pay income taxes at half the standard rate for the next three years.<sup>210</sup> According to the GOC, the “Two Free, Three Half” program was terminated effective January 1, 2008, by the Enterprise Income Tax Law, but companies already enjoying the preference were permitted to continue paying taxes at reduced rates for five additional years.<sup>211</sup> GITI Fujian’s cross-owned affiliated company, GITI Anhui Radial, reported paying taxes at a reduced rate under this program during the POI.<sup>212</sup>

The Department has previously found the “Two Free, Three Half” program to confer a countervailable subsidy.<sup>213</sup> Consistent with the earlier cases, we preliminarily determine that the “Two Free, Three Half” income tax exemption/reduction confers a countervailable subsidy. The exemption/reduction is a financial contribution in the form of revenue foregone by the GOC and it provides a benefit to the recipient in the amount of the tax savings.<sup>214</sup> We also determine that the exemption/reduction afforded by the program is limited as a matter of law to certain enterprises, *i.e.*, productive FIEs, and, hence, is specific under section 771(5A)(D)(i) of the Act.

To calculate the benefit, we treated the tax savings enjoyed by GITI Anhui Radial as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To compute the amount of the tax savings, we compared the company’s tax rate to the rate they would have paid in the absence of the program. We divided GITI Anhui Radial’s tax savings for the return filed during the POI by the appropriate total sales denominator, in accordance with 19 CFR 351.525(b)(6)(ii). Because we find that residual benefits exist during the POI, a program-wide change, as requested by GITI Fujian, is not warranted.

On this basis, we preliminarily determine a subsidy rate of 0.87 percent *ad valorem* for GITI Fujian.

5. Import Tariff and VAT Exemptions for Use of Imported Equipment

Circular 37 exempts FIEs and certain domestic enterprises from VAT and tariffs on imported equipment used in their production so long as the equipment does not fall into prescribed lists of non-eligible items, in order to encourage foreign investment and to introduce foreign advanced

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<sup>210</sup> See CVD Initiation Checklist, at 33-34.

<sup>211</sup> *Id.*; see also *Aluminum Extrusions Final Determination*, and accompanying IDM at 19.

<sup>212</sup> See GITI Fujian’s Initial QR, at 48.

<sup>213</sup> See *CFS from the PRC*, and accompanying IDM at 11-12.

<sup>214</sup> See section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1).

technology equipment and industry technology upgrades.<sup>215</sup> As of January 1, 2009, the GOC discontinued VAT exemptions under this program, but companies can still receive import duty exemptions.<sup>216</sup> Over the AUL, GITI Fujian, GITI Anhui Radial, GITI Hualin, and GITI Steel Cord each reported receiving VAT and tariff exemptions under this program as FIEs<sup>217</sup> The Department has previously found VAT and tariff exemptions under this program to confer countervailable subsidies.<sup>218</sup>

Consistent with these earlier cases, we preliminarily determine that VAT and tariff exemptions on imported equipment confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue foregone by the GOC and they provide a benefit to the recipient in the amount of VAT and tariff savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also preliminarily determine that the VAT and tariff exemptions afforded by the program are specific under section 771(5A)(D)(i) of the Act because the program is limited to certain enterprises, *i.e.*, FIEs and domestic enterprises involved in “encouraged” projects.

Since this indirect tax is provided for, or tied to, the capital structure or capital assets of a firm, as reported by the respondents, the Department treated this tax as a non-recurring benefit and allocated the amount of the VAT and/or tariff exemptions, as applicable in the given year, over the AUL.<sup>219</sup> To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants.<sup>220</sup> In the years that the benefits received by each company under this program did not exceed 0.5 percent of relevant sales for that year, we expensed those benefits in the years that they were received, pursuant to 19 CFR 351.524(b)(2). We used the discount rates described above in the section “Subsidies Valuation Information,” to calculate the amount of the benefit allocable to the POI. We then divided the benefit amount by the appropriate sales denominator.

On this basis, we determine a countervailable subsidy rate of 0.22 percent *ad valorem* for GITI Fujian under this program.

## 6. VAT Exemptions and Deductions for Central Regions

The GOC states that eligibility for this program is extended to normal VAT tax payers that mainly participate in the equipment manufacturing industry, petrochemical industry, metallurgy industry, auto manufacturing industry, agricultural product processing industry, electric power industry, mining industry, and high and new tech industry.<sup>221</sup> The purpose of this program, which ended on January 1, 2009, is to promote the development of the central region of the PRC. The GOC also identified location as a requirement for the program, which covers 26 cities in six

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<sup>215</sup> See GOC’s Initial QR, at 162 and exhibit 26.

<sup>216</sup> *Id.*, at 163 and exhibit 27.

<sup>217</sup> See GITI Fujian’s Initial QR, at 56.

<sup>218</sup> See *Aluminum Extrusions Final Determination*, and accompanying IDM, at VII.D; see also *Wire Decking from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 32902 (June 10, 2010) and accompanying IDM, at 25-27.

<sup>219</sup> See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(2).

<sup>220</sup> See 19 CFR 351.524(b).

<sup>221</sup> See GOC’s Initial QR, at 188 and exhibit 30.

provinces in the central region of the PRC.<sup>222</sup> GITI Anhui Radial, GITI Anhui Cord Fabrics and GITI Steel Cord Hubei reported receiving VAT credits on purchases of equipment under this program over the AUL.<sup>223</sup>

We preliminarily determine that VAT exemptions granted to selected industries in the central region of the PRC confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue foregone by the GOC that is otherwise due and they provide a benefit to the recipient in the amount of the VAT exemption.<sup>224</sup> Further, we find these exemptions to be limited to enterprises or industries in designated geographical regions within the PRC and, therefore, the subsidy is specific under section 771(5A)(D)(iv) of the Act.

Since this indirect tax is provided for, or tied to, the capital structure or capital assets of a firm, as reported by the respondent, the Department treated this tax as a non-recurring benefit and allocated the benefit to the firms over the AUL.<sup>225</sup> To calculate a benefit under this program, for the years in which the rebate amount was less than 0.5 percent of the relevant sales figure, we expensed the rebates in the year of receipt, consistent with 19 CFR 351.524(a). For those years in which the VAT rebates were greater than or equal to 0.5 percent, we allocated the rebate amount over the AUL. We used the discount rates described above in the “Subsidies Valuation Information” section to calculate the amount of the benefit allocable to the POI.

On this basis, we determine a countervailable subsidy rate of 0.10 percent *ad valorem* for GITI Fujian.

## 7. Special Fund for Energy-Saving Technology Reform

The GOC reported that the purpose of this program is to accelerate the application of advanced energy-saving technologies and increase the efficiency in energy utilization.<sup>226</sup> This program was established on July 30, 2009. According to the “Notice concerning organization and application for energy reward project for energy-saving and recycling economy in the year of 2012 by economic and trade commission in Putian City (Pushijingmao Energy {2012} No.57),” this grant is only given to companies that develop projects for “energy-saving and technological transformation, energy-saving and demonstration, recycling economy.”<sup>227</sup> According to Article 14 of the *Tire Industry Policy*, one of the main policy points is to “[v]igorously promote energy conservation and comprehensive utilization of resources. Guide and encourage tire manufacturers to combine informatization and industrialization and carry out technology

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<sup>222</sup> *Id.*

<sup>223</sup> See GITI Fujian’s Initial QR, at 62. VAT credits do not automatically provide benefits to recipients. VAT systems are designed to offset the VAT a producer pays to its suppliers through the VAT it collects from its customers; thus, the producer’s ultimate VAT burden may be reduced to zero. Certain systems, however, such as the GOC’s during the time in question, do not allow VAT paid for purchases of capital equipment to be offset through VAT collected from customers. As the “consumer” of equipment, the producer was ultimately responsible for the VAT incurred and could not pass the burden forward to its customer. Thus credits for VAT paid on equipment provide benefits.

<sup>224</sup> See section 771(5)(D)(ii) of the Act and 19 CFR 351.510(a)(1).

<sup>225</sup> See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(2).

<sup>226</sup> See GOC’s Initial QR, at 214.

<sup>227</sup> *Id.*, at exhibit 32.

transformation whose focus is variety increase, quality improvement, energy saving, pollution reduction and safety production.”<sup>228</sup> Tire producers therefore are encouraged to participate in these energy-saving programs, such as the one provided by Putian City. GITI Fujian, GITI Hualin and Anhui Cord Fabrics reporting receiving grants under this program before and during the POI. Cooper reports receiving a grant under this program during the POI.<sup>229</sup>

We preliminarily determine that these non-recurring grants confer a countervailable subsidy. We determine that the grant received by the respondents under this program constitutes a financial contribution and provides a benefit under sections 771(5)(D)(i) of the Act and 19 CFR 351.504, respectively. Moreover, we find these grants are *de facto* specific pursuant to section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the grant are limited in number.

To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants. In the years that the benefits received by each company under this program did not exceed 0.5 percent of relevant sales for that year (*i.e.*, GITI Fujian), we expensed those benefits in the years that they were received, pursuant to 19 CFR 351.524(b)(2). The grant that GITI Hualin and Anhui Cord Fabrics received during the POI was less than 0.5 percent of their respective POI sales, as described above in the “Attribution of Subsidies” section. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amount to the POI.

On this basis, we determine a countervailable subsidy rate of 0.02 percent *ad valorem* for GITI Fujian and no benefit for Cooper.

## **B. Programs Preliminarily Determined To Be Not Used by, or Not to Confer a Measurable Benefit During the POI for, GITI Fujian and Cooper**

1. Preferential Loans to State-Owned Enterprises
2. Discounted Loans for Export-Oriented Enterprises
3. Export Buyer’s Credits from State-Owned Banks
4. Export Credit Guarantees
5. Export Credit Insurance Subsidies

Petitioner alleged that tire producers benefited from subsidized export credit insurance. Specifically, they argue that export credit insurance for Chinese tire producers and exporters provides a countervailable subsidy under U.S. law where the premium rates charged by the programs are inadequate to cover the programs’ long-term costs and losses, and that these subsidies are specific because the insurance is contingent upon export performance.<sup>230</sup>

CCT maintained an insurance policy with SINOSURE during the POI.<sup>231</sup> The company also reported receiving benefits under this program during the POI.<sup>232</sup> Because insurance provided through this program is contingent upon export performance, we preliminarily determine that the

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<sup>228</sup> *Id.*, at exhibit 6.

<sup>229</sup> *See* Cooper’s Initial QR, at III-38.

<sup>230</sup> *See* CVD Initiation Checklist, at 14.

<sup>231</sup> *See* Cooper’s Initial QR, at III-14.

<sup>232</sup> *Id.*, at exhibit B-11.

program is specific within the meaning of section 771(5A)(B) of the Act. The Department finds that the export insurance provided by SINOSURE constitutes a financial contribution in the form of a direct transfer of funds or a potential transfer of funds within the meaning of section 771(5)(D)(i) of the Act. In addition, we determine that the insurance provided by SINOSURE confers a benefit in accordance with section 771(5)(E) of the Act and 19 CFR 351.520(a)(1), because, based on financial statements provided by the GOC, premium rates charged by SINOSURE are inadequate to cover its paid claims and its business expense for the six year period leading up to and including the POI.<sup>233</sup> The amount of the benefit received by CCT is measured in accordance with 19 CFR 351.520(a)(2), such that the benefit is the amount by which the claims paid to CCT exceed the premiums paid by the company. To calculate the applicable preliminary CVD rate for this program, this benefit amount is divided by CCT's total exports.

On this basis, we determine a subsidy rate of less than 0.005 percent *ad valorem* for Cooper under this program; therefore we are excluding it from the overall CVD rate.<sup>234</sup>

## 6. Provision of Natural Rubber for LTAR

The Department is investigating whether the mandatory respondents purchased natural rubber, an input for passenger tires, at LTAR. As instructed in the Department's questionnaires, both respondents identified the suppliers and producers from whom they purchased natural rubber from during the POI.<sup>235</sup> However, GITI Fujian noted that "all of the Natural Rubber purchased by the company in the POI was imported into China."<sup>236</sup> Because GITI Fujian and its cross-owned affiliated companies did not purchase any domestic natural rubber, we preliminary determine that they did not use this program.

With regard to Cooper, the GOC reported that Cooper purchased natural rubber from companies that the GOC has classified as SOEs, as well as from companies that the GOC considered to be "privately-held."<sup>237</sup> We understand the GOC's classification of certain companies as "SOEs" to mean that those companies are majority-owned by the government. As explained in the Public Body Memorandum, majority state-owned enterprises in the PRC possess, exercise, or are vested with governmental authority.<sup>238</sup> The GOC exercises meaningful control over these entities and

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<sup>233</sup> In its initial questionnaire response, the GOC was asked to provide a chart summarizing SINOSURE's overall long-term operating costs/losses. The GOC has yet to provide this chart in response to the Department's initial questionnaire. However, the GOC provided the annual reports for SINOSURE for the years 2008-2013. Each annual report shows the net premiums earned, net claims paid out, and the operating expenses of the agency over a two-year period, and thus data for the years 2008-2013 are available. These data demonstrate that over the five year period ending with the POI, the net claims paid out by SINOSURE and its operating expenses exceeded the net premiums earned by SINOSURE in all years except 2010 (*i.e.*, 2008-09 and 2011-13), and that the insurance programs offered by SINOSURE were not profitable as a result of its operations. In addition, the net loss in the years 2008-09 and 2011-13 exceed the gains in 2010 by more than two billion RMB. As such we find that the premiums charged by SINOSURE are inadequate to cover the long-term operating costs and losses of the program within the meaning of 19 CFR 351.520(a)(1). Thus, we preliminarily determine that this program is countervailable during the POI. See GOC's Initial QR, at exhibit 37.

<sup>234</sup> See Cooper's Preliminary Analysis Memorandum.

<sup>235</sup> See GITI Fujian's Initial QR, at 29; see also Cooper's Initial QR, at exhibits A-13 and B-12.

<sup>236</sup> See GITI Fujian's Initial QR, at 30.

<sup>237</sup> See Cooper's Initial QR, at exhibits 56 and 57.

<sup>238</sup> See Additional Documents Memorandum, at Attachment II (Public Bodies Memorandum).

uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we preliminarily determine that these entities are “authorities” within the meaning of section 771(5)(B) of the Act and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act.<sup>239</sup> With respect to the so-called “privately-held” companies, as described above, the GOC failed to cooperate to the best of its ability in responding to our requests for information with respect to these companies. Therefore, we are using an adverse inference in our determination, and we conclude that these companies are also “authorities” within the meaning of section 771(5)(B) of the Act. Further, we find that the respondents received a benefit to the extent that the price they paid for the natural rubber produced by these suppliers was for LTAR under section 771(5)(E)(iv) of the Act. In response to our questions concerning specificity, the GOC stated: natural rubber is “{w}idely used in production of tires, rubber footwear, rubber tape, rubber hose, rubber plate, rubber covered roller, electric wire and cable and many other rubber products industries.”<sup>240</sup> Accordingly, we preliminarily determine that the recipients of natural rubber are limited in number within the meaning of section 771(5A)(D)(iii)(I) of the Act.

Finally, regarding benefit, the Department identifies appropriate market-determined benchmarks for measuring the adequacy of remuneration for government-provided goods or services pursuant to 19 CFR 351.511(a)(2). These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation (*e.g.*, actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation.<sup>241</sup> This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

However, where we can reasonably conclude that actual transaction prices are significantly distorted as a result of the government’s involvement in the market, we will instead resort to the tier two or world market prices.<sup>242</sup> Under our practice, we generally will find the market to be distorted where the government provider constitutes a majority or, in certain circumstances, a substantial portion of the market.”<sup>243</sup> To assess whether the market for natural rubber in the PRC may be significantly distorted by government involvement, we reviewed aggregate data submitted by the GOC regarding the relative shares of domestic production and imports in the supply and consumption of natural rubber for the years 2011-2013. Based on our assessment of the data, we find that for each of those years, imports of natural rubber accounted for over 67 percent of the apparent supply.<sup>244</sup> Consequently, we find that the level of government involvement in this market could not result in the kind of distortion as defined above. Therefore,

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<sup>239</sup> See *OCTG from the PRC Final Results*, and accompanying IDM at Comment 6.

<sup>240</sup> See GOC’s October 31 SQR at exhibit S-12.

<sup>241</sup> See *Lumber from Canada*, and accompanying IDM at “Market-Based Benchmark.”

<sup>242</sup> See *CVD Preamble*, 63 FR at 65377.

<sup>243</sup> *Id.*

<sup>244</sup> See GOC’s Initial QR, at 125.

we have determined that internal, tier one, benchmarks - specifically, import prices for natural rubber - are appropriate for determining the benefit from the provision of natural rubber at LTAR.

Cooper reported that it “purchased natural rubber from other countries,” *i.e.*, imports.<sup>245</sup> To calculate the benefit for Cooper’s purchases from SOEs, we used an average of the price Cooper purchased natural rubber from other countries in the relevant month for the benchmark.<sup>246</sup> Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier one or 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. The benchmark price was inclusive of VAT, import duty, ocean freight and inland freight, so no further adjustments were done. Next, we compared the benchmark prices to the prices paid by Cooper for its natural rubber purchases and we measured a benefit to the extent that the price paid by Cooper was less than the benchmark price. Pursuant to 19 CFR 351.525(b)(6)(ii), we divided this difference by the combined total POI sales by respondent producers, exclusive of intercompany sales, as described above in the “Attribution of Subsidies” section.

On this basis, we determine a subsidy rate of less than 0.005 percent *ad valorem* for Cooper under this program; therefore we are excluding it from the overall CVD rate.

#### 7. Provision of Land to Passenger Tire Producers for LTAR

Petitioner alleged that tire producers benefited from the provision of land to subject merchandise producers by the GOC at either a discounted rate or for free.<sup>247</sup> Specifically, Petitioner argues that through the *Tire Industry Policy*, provincial governments are encouraged to support the tire industry through land policies.<sup>248</sup> According to the “Notice of the Ministry of Industry and Information Technology on Issuing the Tire Industry Policy” (Gong Chan Ye Zheng Ce {2010 (No. 2)}), relevant entities are encouraged to keep the *Tire Industry Policy* in consideration when making “land allocation” decisions.<sup>249</sup> The Department preliminarily determines that a program to provide passenger tires with land for LTAR exists beginning in 2010, the year the *Tire Industry Policy* was established. Based on record information, neither mandatory respondent nor their cross-owned affiliates purchased land from the GOC in 2010 or later.<sup>250</sup> We preliminarily determine that GITI Fujian and Cooper did not use this program.

8. Provision of Land-Use Rights for SOEs for Less Than Adequate Remuneration
9. Provision of Land-Use Rights for FIEs for Less Than Adequate Remuneration
10. Provision of Land-Use Rights in Industrial and Other Special Economic Zones for Less Than Adequate Remuneration

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<sup>245</sup> See Cooper’s Initial QR, at III-21.

<sup>246</sup> See Cooper’s Preliminary Analysis Memorandum.

<sup>247</sup> See CVD Initiation Checklist, at 24-25.

<sup>248</sup> *Id.*

<sup>249</sup> See GOC’s Initial QR, at exhibit S2-2.

<sup>250</sup> See GITI Fujian’s Initial QR, at 32-36; *see also* Cooper’s Initial QR, at III-23 - III-25.

## 11. Tax Benefit Programs

- a. Income Tax Reductions for HNTEs
- b. Income Tax Reduction for Advanced-Technology FIEs
- c. Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs
- d. Income Tax Credits for Domestically-Owned Companies Purchasing Chinese-Made Equipment

## 12. VAT Refunds for Domestic Firms on Purchases of Chinese-Made Equipment

## 13. VAT Rebates on FIE Purchases of Chinese-Made Equipment

Pursuant to the “Notice of the State Administration of Taxation concerning the Proposed Management Methods for Tax Refund to Foreign-funded Enterprises for Their Domestic Equipment Purchases, (Document 171 (1999)),” the GOC refunds the VAT on purchases of domestically-produced equipment by FIEs if the equipment does not fall into the non-duty-exemptible catalog and if the value of the equipment does not exceed the total investment limit of an FIE.<sup>251</sup> The Department previously found this program to be countervailable.<sup>252</sup> GITI Steel Cord Hubei reported using this program from 2006 through 2008.<sup>253</sup>

We preliminarily determine that the rebate of the VAT paid on purchases of Chinese-made equipment by FIEs confers a countervailable subsidy. The rebates are a financial contribution in the form of revenue foregone by the GOC and they provide a benefit to the recipients in the amount of the tax savings.<sup>254</sup> We further preliminarily determine that the VAT rebates are contingent upon the use of domestic over imported equipment and, hence, specific under section 771(5A)(A) and (C) of the Act. However, after conducting our 0.5 percent test, in accordance with 19 CFR 351.524(b)(2),<sup>255</sup> on the rebate amounts, we found no benefit was allocable to the POI.

## 14. Grant Programs

- a. State Key Technology Renovation Project Fund Program
- b. Famous Brands Program

The GOC reported the Famous Brands Program was established for the purpose of developing the brand of the product and promoting competitiveness and quality.<sup>256</sup> The GOC also reported the program was used by GITI Fujian between December 11, 2001 and the end of the POI.<sup>257</sup>

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<sup>251</sup> See GOC’s Initial QR, at 175 and exhibit 29.

<sup>252</sup> See *Citric Acid from the PRC*, and accompanying IDM at 20; see also *CFS from the PRC*, and accompanying IDM at 13-14.

<sup>253</sup> See GITI Fujian’s Initial QR, at 59.

<sup>254</sup> See section 771(5)(D)(ii) of the Act and 19 CFR 351.510(a)(1).

<sup>255</sup> See “Allocation Period,” above, for details on this test.

<sup>256</sup> See GOC’s Initial QR, at 200.

<sup>257</sup> *Id.*, at 201.

Consistent with numerous prior determinations,<sup>258</sup> we preliminarily determine that grants received under this program constitute a financial contribution and a benefit in the amount of the grant provided under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. In accordance with the same precedent, grants provided under this program are export contingent and therefore specific as export subsidies. However, after conducting our 0.5 percent test, in accordance with 19 CFR 351.524(b)(2),<sup>259</sup> on the grants received, we found no benefit was allocable to the POI.

- c. The Clean Production Technology Fund
- d. Export Interest Subsidy Funds for Enterprises Located in Guangdong and Zhejiang Provinces
- e. Funds for “Outward Expansion” of Industries in Guangdong Province
- f. Provincial International Market Development Fund Grant

According to the GOC, the purpose of this program is to promote the development of the international business of the company located in Fujian province.<sup>260</sup> The program was established on January 1, 2001. Companies submit an application form detailing the expenses they incurred when participating in certain qualified business shows to their local ministry of commerce.<sup>261</sup> According to the Implementation Rules, “{e}nterprise legal person which has been registered in Fujian Province, and has obtained the operations qualification for export according to the law or has undergone the registration regarding the foreign trade operator according to the law,”<sup>262</sup> are eligible for this program. GITI Fujian and GITI China reported receiving grants through this fund.<sup>263</sup>

We preliminarily determine that the grants received by the respondents through this program confer a countervailable subsidy. The grants are financial contributions pursuant to section 771(5)(D)(i) of the Act and provide benefits in the amount of the grants provided, pursuant to 19 CFR 351.504(a). We find that grants from this program are specific under section 771(5A)(B) of the Act because a company is required to be qualified for exporting, and therefore they are contingent upon export performance.

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the “0.5 percent test” of 19 CFR 351.524(b) to each grant, individually, to determine whether it should be allocated, using export sales as the denominator. None of the grants received during the POI passed the 0.5 percent test and, therefore, all such grants were attributed to the POI. In addition, none of the grants received prior to the POI passed the 0.5 percent test and have been expensed in the year of receipt. We calculated the subsidy

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<sup>258</sup> See, e.g., *Aluminum Extrusions Final Determination*, and accompanying IDM, at “GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands and China World Top Brands,” and *Pre-Stressed Concrete Steel Wire Strand from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010), and accompanying IDM, at the section “Subsidies for Development of Famous Export Brands and China World Top Brands at Central and Sub-Central Level.”

<sup>259</sup> See “Allocation Period,” above, for details on this test.

<sup>260</sup> See GOC’s Initial QR, at 228 and exhibit 59.

<sup>261</sup> See GITI Fujian’s Initial QR, at 75.

<sup>262</sup> See GOC’s Initial QR, at exhibit 59, article 10(1).

<sup>263</sup> See GITI Fujian’s Initial QR, at 74-78.

from each grant separately by dividing the entire amount of the grant by the appropriate sales figure for the POI. We then summed the subsidy rates to arrive at GITI Fujian's subsidy rate.

On this basis, we determine a subsidy rate of less than 0.005 percent *ad valorem* for GITI Fujian under this program; therefore we are excluding it from the overall CVD rate. As such, this subsidy has no impact on GITI Fujian's overall subsidy rate.

g. Provincial Import Discount Loan Subsidy

This program was established to promote the development of the importation of equipment, specifically products with advanced technology from overseas markets for enterprises located in Fujian and Anhui province.<sup>264</sup> To be eligible for this program, the imported equipment must be under certain customs codes (*i.e.*, mechanical and electrical products), and the applicant must be within the steel, automobile, shipping, chemical, textile, light industry, non-ferrous metal, equipment manufacturing, electronic information, materials biological technology and new materials industry.<sup>265</sup> GITI Fujian reported receiving grants through this program.<sup>266</sup>

We preliminarily determine that the grants received by the respondents through this program confer a countervailable subsidy. The grants are financial contributions pursuant to section 771(5)(D)(i) of the Act and provide benefits in the amount of the grants provided, pursuant to 19 CFR 351.504(a). We find that grants from this program are specific under section 771(5A)(D)(iv) of the Act because they are limited to companies in a designated geographical region.

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the "0.5 percent test" of 19 CFR 351.524(b) to each grant, individually, to determine whether it should be allocated. None of the grants received during the POI passed the 0.5 percent test and, therefore, all such grants were attributed to the POI. In addition, none of the grants received prior to the POI passed the 0.5 percent test and have been expensed in the year of receipt. We calculated the subsidy for the POI grant by dividing the entire amount of the grant by the appropriate sales figure for the POI. On this basis, we determine that no benefit was conferred during the POI.

15. Discovered Subsidies

During the course of this investigation, the Department discovered through examination of questionnaire responses that both Cooper and CCT received numerous potential subsidies from provincial and local governments that were not included in any of the programs under investigation.<sup>267</sup> However, before addressing the issues of financial contribution and specificity, we first determined whether any benefits exist in the POI from any of these discovered potential subsidies. We treated these discovered potential subsidies as non-recurring subsidies, pursuant to 19 CFR 351.524(c), and applied the "0.5 percent test" to each one, individually, to determine

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<sup>264</sup> See GOC's Initial QR, at 241 and exhibit 60.

<sup>265</sup> *Id.*, at 246-247.

<sup>266</sup> See GITI Fujian's Initial QR, at 78-80.

<sup>267</sup> See Cooper's November 3 SQR, at exhibits S-6 and S-7.

whether each one should be allocated. None of the potential subsidies received during the POI passed the 0.5 percent test and, therefore, all such potential subsidies were allocated to the POI. In addition, none of the discovered potential subsidies received prior to the POI passed the 0.5 percent test, therefore none have been allocated to the POI. To calculate the POI benefit, we divided the entire amount of each potential subsidy by the appropriate sales denominator. If the rate calculated for any particular potential subsidy was less than 0.005 percent *ad valorem*, it was determined to have no impact on the overall subsidy rate, and was therefore disregarded. Based on this methodology, we found no potential subsidies provided a rate above the 0.005 percent *ad valorem* threshold. Therefore, we preliminarily determine that these discovered potential subsidies, even if they did constitute financial contributions and were specific, would provide no benefit to Cooper; therefore we are excluding them from the overall CVD rate.<sup>268</sup>

### **C. Programs for Which Additional Information is Required**

Tax Awards: GITI Fujian reported that local tax authorities occasionally award large tax payers with tax awards “in recognition of their contribution to the authorities’ tax revenue.”<sup>269</sup> GITI Fujian, GITI China, GITI Anhui Radial, and GITI Steel Cord Hubei all reported receiving tax awards between 2001 and 2013. We have issued a supplemental questionnaire to the GOC requesting information about this program, which is due after the preliminary determination deadline. We will be making a separate finding on this program, and will issue a post-preliminary determination.

### **D. Programs Preliminarily Determined to Be Not Countervailable**

Provision of Water for LTAR

The Department initiated an investigation of water provided for LTAR in Jiangsu province based on evidence in the Petition concerning Jiangsu province. The GOC provided information demonstrating the revocation of this program in Jiangsu province several years before the POI.<sup>270</sup>

## **XIV. ITC NOTIFICATION**

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an APO, without the written consent of the Assistant Secretary for Enforcement and Compliance.

In accordance with section 705(b)(2) of the Act, if our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

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<sup>268</sup> See Cooper’s Preliminary Analysis Memorandum.

<sup>269</sup> See GITI Fujian’s Initial QR, at 71.

<sup>270</sup> See GOC’s Initial QR, at 146.

## **XV. DISCLOSURE AND PUBLIC COMMENT**

The Department intends to disclose to interested parties the calculations performed in connection with this preliminary determination within five days of its public announcement.<sup>271</sup> Case briefs may be submitted to Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) no later than seven days after the date on which the last verification report is issued in this proceeding and rebuttal briefs, limited to issues raised in the case briefs, may be submitted no later than five days after the deadline for case briefs.<sup>272</sup>

Parties who submit case briefs or rebuttal briefs in this proceeding are encouraged to submit with each argument: (1) a statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities.<sup>273</sup> This summary should be limited to five pages total, including footnotes.

Interested parties who wish to request a hearing, or to participate if one is requested, must do so in writing within 30 days after the publication of this preliminary determination in the *Federal Register*.<sup>274</sup> Requests should contain the party's name, address, and telephone number; the number of participants; and a list of the issues to be discussed. If a request for a hearing is made, the Department intends to hold the hearing at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, at a date, time and location to be determined. Parties will be notified of the date, time and location of any hearing.

Parties must file their case and rebuttal briefs, and any requests for a hearing, electronically using ACCESS.<sup>275</sup> Electronically filed documents must be received successfully in their entirety by 5:00 p.m. Eastern Time,<sup>276</sup> on the due dates established above.

## **XVI. VERIFICATION**

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

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<sup>271</sup> See 19 CFR 351.224(b).

<sup>272</sup> See 19 CFR 351.309(d).

<sup>273</sup> See 19 CFR 351.309(c)(2) and (d)(2).

<sup>274</sup> See 19 CFR 351.310(c).

<sup>275</sup> See 19 CFR 351.303(b)(2)(i).

<sup>276</sup> See 19 CFR 351.303(b)(1).

**XVII. CONCLUSION**

We recommend that you approve the preliminary findings described above.

✓  
Agree

\_\_\_\_\_  
Disagree

*Paul Piquado*  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

21 NOVEMBER 2014  
Date

## Appendix

Program Name		Rate
<b>Direct Tax Programs</b>		
1	Income Tax Reduction for HNTEs	25.00%
2	Income Tax Reduction for Advanced-Technology FIEs	
<b>Other Income Tax Programs</b>		
3	Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs	1.38%
4	Income Tax Credits for Domestically-Owned Companies Purchasing Chinese-Made Equipment	1.38%
5	Enterprise Income Tax Law, R&D Program	0.11%
6	Two Free, Three Half Program for FIEs	0.87%
<b>Indirect Tax Programs</b>		
7	Import Tariff and VAT Exemptions for Imported Equipment	0.22%
8	VAT Refunds for FIEs on Purchases of Chinese-Made Equipment	3.46%
9	VAT Refunds for Domestic Firms on Purchases of Chinese-Made Equipment	3.46%
10	VAT Exemptions and Deductions for Central Regions	0.10%
<b>Loan Programs</b>		
11	Government Policy Lending	2.73%
12	Discounted Loans for Export-Oriented Enterprises	10.54%
13	Export Buyer's Credits and Export Seller's Credits from State-Owned Banks	0.45%
<b>LTAR Programs</b>		
14	Provision of Carbon Black for LTAR	9.89%
15	Provision of Nylon Cord for LTAR	0.48%
16	Provision of Synthetic Rubber and Butadiene for LTAR	0.96%
17	Provision of Natural Rubber for LTAR	2.82%
18	Provision of Land-Use Rights to Passenger Tire Producers for LTAR	2.55%

19	Provision of Land-Use Rights to SOEs for LTAR	2.55%
20	Provision of Land-Use Rights to FIEs for LTAR	2.55%
21	Provision of Land-Use Rights in Industrial and Other Special Economic Zones for LTAR	4.97%
22	Provision of Electricity for LTAR	2.28%
<b>Grant Programs</b>		
23	Special Fund for Energy-Saving Technology Reform	0.02%
24	Funds for "Outward Expansion" of Industries in Guangdong Province	0.08%
25	Export Credit Insurance Subsidies	0.05%
26	Export Credit Guarantees	0.19%
27	Famous Brands Program	0.55%
28	The Clean Productions Technology Fund	0.55%
29	State Key Technology Renovation Project Fund	0.55%
30	Export Interest Subsidy Funds for Enterprises Located in Guangdong and Zhejiang Provinces	0.55%
<b>Total AFA Rate:</b>		<b>81.29%</b>