



C-570-953
Sunset Review
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December 1, 2015

MEMORANDUM TO: Christian Marsh
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

FROM: Gary Taverman
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

RE: Issues and Decision Memorandum for the Final Results of the Expedited First Sunset Review of the Countervailing Duty Order on Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China

SUMMARY

We have analyzed the responses of interested parties in the expedited sunset review of the countervailing duty order (*CVD Order*) on narrow woven ribbons with woven selvedge (ribbons) from the People's Republic of China (PRC).¹ We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues that we address in this expedited sunset review:

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy
2. Net Countervailable Subsidy Likely to Prevail
3. Nature of the Subsidy

Background

On September 1, 2010, the Department of Commerce (the Department) published the *CVD Order* on ribbons from the PRC.² On August 3, 2015, the Department initiated the first sunset review of the *CVD Order* pursuant to section 751(c)(2) of the Tariff Act of 1930, as amended, (the Act) and 19 CFR 351.218(c).³ Berwick Offray LLC and its wholly-owned subsidiary Lion Ribbon Company, LLC (collectively, Berwick Offray) filed a timely notice of intent to participate on August 14, 2015, in accordance with 19 CFR 351.218(d)(1). On August 31, 2015, the Department received a substantive response from Berwick Offray, in accordance with 19

¹ See *Narrow Woven Ribbons with Woven Selvedge from the People's Republic of China: Countervailing Duty Order*, 75 FR 53642 (September 1, 2010) (*CVD Order*).

² *Id.*

³ See *Initiation of Five-Year ("Sunset") Review*, 80 FR 45945 (August 3, 2015).



CFR 351.218(d)(3)(i).⁴ The Department did not receive a substantive response from the Government of the PRC (GOC) or any PRC producer or exporter of ribbons.

In accordance with 19 CFR 351.218(e)(1)(ii)(B)(2) and(C)(2), when there are inadequate responses from respondent interested parties, we “{n}ormally will conduct an expedited sunset review and, not later than 120 days after the date of publication in the *Federal Register* of the notice of initiation, issue final results of review based on the facts available, in accordance with 19 CFR 351.308(f) (*see* section 751(c)(3)(B) of the Act and 19 CFR 351.221(c)(5)(ii)).” Consistent with Department regulations and practice, in the absence of substantive responses from the GOC and other respondent interested parties (*i.e.*, producers and exporters), the Department is conducting an expedited (120-day) sunset review of the *CVD Order*.

History of the Order

On September 1, 2010, the Department published, in the *Federal Register*, the *CVD Order* on ribbons from the PRC.⁵ In the *Final Determination* of the subject CVD investigation,⁶ covering the calendar year 2008, the Department determined a net countervailable subsidy rate of 117.95 percent *ad valorem* for Changtai Rongshu Textile Co., Ltd.; 1.56 percent *ad valorem* for Yama Ribbons and Bows Co., Ltd.; and 1.56 percent *ad valorem* for “All-Others” for the programs described in the “Nature of the Subsidy” section of this memorandum.

We found the following programs countervailable in the original investigation:⁷

1. Preferential Tax Policies for Enterprises with Foreign Investment (Two Free, Three Half) Program
2. Local Income Tax Exemption and Reduction Programs for “Productive” Foreign-Invested Enterprises
3. Xiamen Municipal Science and Technology Grant
4. International Market Development Fund Grants for SMEs

We deferred any possible investigation for the Xiamen Promotion of Domestic Market Grants to the following administrative review.⁸ We also determined that the Jimei District Tax Bonus Prize was not used and did not confer a benefit during the POI.⁹

Since the issuance of the *CVD Order*, we have conducted one administrative review, three scope determinations, and rescinded one review, pursuant to section 751(a) of the Act. This is the first sunset review of the *CVD Order*.

⁴ *See* Letter to the Department, “Narrow Woven Ribbons With Woven Selvedge from the People’s Republic of China/Petitioner’s Substantive Response,” dated August 31, 2015 (Berwick Offray’s Substantive Response).

⁵ *See CVD Order*.

⁶ *See Narrow Woven Ribbons with Woven Selvedge from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 41801 (July 19, 2010) (*Final Determination*) and accompanying Issues and Decision Memorandum (IDM).

⁷ *See* IDM at 7-10.

⁸ *Id.*, at 10.

⁹ *Id.*, at 11.

The Department rescinded the first administrative review of the *CVD Order* for the period September 1, 2010, through December 31, 2010.¹⁰ No reviews were requested of the periods January 1, 2011, through December 31, 2011, and January 1, 2013, through December 31, 2013.

In the third administrative review period, which covered calendar year 2012, the Department calculated a net subsidy rate of 88.49 percent for Yangzhou Bestpak Gifts & Crafts Co., Ltd. (Bestpak).¹¹ The Department based this rate on facts otherwise available, pursuant to sections 776(a)(1), (2)(A) and (C) of the Act. The Department also found that an adverse inference was warranted in determining this rate, pursuant to section 776(b) of the Act. The subsidy rate for Bestpak was based on the following countervailable programs:¹²

1. Preferential Tax Policies for Enterprises with Foreign Investment (also known as “Two Free, Three Half”)
2. Tax Subsidies to FIEs in Specially Designated Areas
3. Preferential Tax Policies for Export-Oriented FIEs
4. Tax Program for High or New Technology FIEs
5. Preferential Tax Policies for Township Enterprises
6. Preferential Tax Policies for Research and Development for FIEs
7. Local Income Tax Exemption and Reduction Programs for “Productive” FIEs
8. Policy Loans to Narrow Woven Ribbon Producers from State-owned Commercial Banks
9. Jimei District Tax Bonus Prize
10. Xiamen Municipal Science and Technology Grant Program
11. International Market Development Fund Grants for SMEs
12. Xiamen Promotion of Domestic Market Grants
13. The State Key Technology Renovation Project Fund
14. Famous Brands Program
15. Export Assistance Grants
16. Export Interest Subsidy Funds for Enterprises Located in Zhejiang Province
17. Technology Grants for Enterprises Located in Zhejiang Province
18. Tax Benefits for FIEs in Encouraged Industries that Purchase Domestic Equipment
19. Corporate Income Tax Refund Program for Reinvestment of FIE Profits in Export-Oriented Enterprises
20. Import Tariff and VAT Exemptions for FIEs Using Imported Technology and Equipment
21. Import Tariff and VAT Exemptions for Certain Domestic Enterprises Using Imported Technology and Equipment
22. VAT Rebate for FIE Purchases of Domestically Produced Equipment

The Department conducted three scope inquiries regarding ribbons. On November 19, 2010, the Department found that A-Plus Products, Inc.’s heat transfer substrate fabric is within the scope of

¹⁰ See *Narrow Woven Ribbons With Woven Selvedge from the People’s Republic of China: Rescission of Countervailing Duty Administrative Review*, 76 FR 72903 (November 28, 2011).

¹¹ See *Narrow Woven Ribbons With Woven Selvedge From the People’s Republic of China: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 78036 (December 29, 2014) and accompanying Issues and Decision Memorandum (AR3 IDM).

¹² See AR3 IDM.

the *CVD Order*.¹³ On November 29, 2010, the Department found that Money Hill Co., Ltd. c/o Party Art Enterprise Co. Ltd. (Money Hill) and Golden Art Co, Ltd. (Golden Art)'s cut edge ribbon, to the extent that it matches the exclusion language stated in the written scope, was not within the scope of the *CVD Order*.¹⁴

On September 6, 2011, the Department found that 18 of Osborne & Little, Inc.'s (O&L Inc.) trimmings from their Orsetti and Mazarin Collections are within the scope of the antidumping duty (AD) and CVD orders because they are composed of narrow woven ribbon with a woven selvedge, measuring less than 12 centimeters in width; constructed of, in whole or in part, man-made fibers; composed of narrow woven ribbon with embellishments; and do not fall within the exclusions as described by the AD and CVD orders.¹⁵ The Department also found that two of O&L Inc.'s trimmings (*i.e.*, Styles T51 and T52) are not covered by the scope of the orders because they are not composed of, in whole or in part, man-made fibers.¹⁶

The Department has not issued any anti-circumvention or changed circumstances determinations.

Scope of the Order

The merchandise subject to the order is narrow woven ribbons with woven selvedge, in any length, but with a width (measured at the narrowest span of the ribbon) less than or equal to 12 centimeters, composed of, in whole or in part, man-made fibers (whether artificial or synthetic, including but not limited to nylon, polyester, rayon, polypropylene, and polyethylene terephthalate), metal threads and/or metalized yarns, or any combination thereof. Narrow woven ribbons subject to the order may:

- Also include natural or other non-man-made fibers;
- Be of any color, style, pattern, or weave construction, including but not limited to single-faced satin, double-faced satin, grosgrain, sheer, taffeta, twill, jacquard, or a combination of two or more colors, styles, patterns, and/or weave constructions;
- Have been subjected to, or composed of materials that have been subjected to, various treatments, including but not limited to dyeing, printing, foil stamping, embossing, flocking, coating, and/or sizing;
- Have embellishments, including but not limited to appliqué, fringes, embroidery, buttons, glitter, sequins, laminates, and/or adhesive backing;
- Have wire and/or monofilament in, on, or along the longitudinal edges of the ribbon;
- Have ends of any shape or dimension, including but not limited to straight ends that are perpendicular to the longitudinal edges of the ribbon, tapered ends, flared ends or shaped ends, and the ends of such woven ribbons may or may not be hemmed;

¹³ See Memorandum to Susan H. Kuhbach RE: "Narrow Woven Ribbons With Woven Selvedge: Scope Ruling on A-Plus Products, Inc.'s Heat Transfer Substrate Fabric," dated November 19, 2010.

¹⁴ See Memorandum to Susan H. Kuhbach RE: "Antidumping and Countervailing Duty Orders on Narrow Woven Ribbons With Woven Selvedge from the People's Republic of China and Antidumping Order on Narrow Woven Ribbons With Woven Selvedge from Taiwan," dated November 29, 2010.

¹⁵ See Memorandum to Susan H. Kuhbach RE: "Narrow Woven Ribbons With Woven Selvedge from the People's Republic of China: Scope Ruling on Osborne & Little, Inc.'s Trimmings," dated September 6, 2011.

¹⁶ *Id.*, at 11.

- Have longitudinal edges that are straight or of any shape, and the longitudinal edges of such woven ribbon may or may not be parallel to each other;
- Consist of such ribbons affixed to like ribbon and/or cut-edge woven ribbon, a configuration also known as an “ornamental trimming;”
- Be wound on spools; attached to a card; hanked (i.e., coiled or bundled); packaged in boxes, trays or bags; or configured as skeins, balls, bateaus or folds; and/or
- Be included within a kit or set such as when packaged with other products, including but not limited to gift bags, gift boxes and/or other types of ribbon.

Narrow woven ribbons subject to the order include all narrow woven fabrics, tapes, and labels that fall within this written description of the scope of this order.

Excluded from the scope of the order are the following:

- (1) Formed bows composed of narrow woven ribbons with woven selvedge;
- (2) “Pull-bows” (i.e., an assemblage of ribbons connected to one another, folded flat and equipped with a means to form such ribbons into the shape of a bow by pulling on a length of material affixed to such assemblage) composed of narrow woven ribbons;
- (3) Narrow woven ribbons comprised at least 20 percent by weight of elastomeric yarn (i.e., filament yarn, including monofilament, of synthetic textile material, other than textured yarn, which does not break on being extended to three times its original length and which returns, after being extended to twice its original length, within a period of five minutes, to a length not greater than one and a half times its original length as defined in the Harmonized Tariff Schedule of the United States (“HTSUS”), Section XI, Note 13) or rubber thread;
- (4) Narrow woven ribbons of a kind used for the manufacture of typewriter or printer ribbons;
- (5) Narrow woven labels and apparel tapes, cut-to-length or cut-to-shape, having a length (when measured across the longest edge-to-edge span) not exceeding eight centimeters;
- (6) Narrow woven ribbons with woven selvedge attached to and forming the handle of a gift bag;
- (7) Cut-edge narrow woven ribbons formed by cutting broad woven fabric into strips of ribbon, with or without treatments to prevent the longitudinal edges of the ribbon from fraying (such as by merrowing, lamination, sono-bonding, fusing, gumming or waxing), and with or without wire running lengthwise along the longitudinal edges of the ribbon;
- (8) Narrow woven ribbons comprised at least 85 percent by weight of threads having a denier of 225 or higher;
- (9) Narrow woven ribbons constructed from pile fabrics (i.e., fabrics with a surface effect formed by tufts or loops of yarn that stand up from the body of the fabric);
- (10) Narrow woven ribbon affixed (including by tying) as a decorative detail to non-subject merchandise, such as a gift bag, gift box, gift tin, greeting card or plush toy, or affixed (including by tying) as a decorative detail to packaging containing non-subject merchandise;
- (11) Narrow woven ribbon that is (a) affixed to non-subject merchandise as a working component of such non-subject merchandise, such as where narrow woven ribbon comprises an apparel trimming, book marker, bag cinch, or part of an identity card

holder, or (b) affixed (including by tying) to non-subject merchandise as a working component that holds or packages such non-subject merchandise or attaches packaging or labeling to such non-subject merchandise, such as a “belly band” around a pair of pajamas, a pair of socks or a blanket;

(12) Narrow woven ribbon(s) comprising a belt attached to and imported with an item of wearing apparel, whether or not such belt is removable from such item of wearing apparel; and

(13) Narrow woven ribbon(s) included with non-subject merchandise in kits, such as a holiday ornament craft kit or a scrapbook kit, in which the individual lengths of narrow woven ribbon(s) included in the kit are each no greater than eight inches, the aggregate amount of narrow woven ribbon(s) included in the kit does not exceed 48 linear inches, none of the narrow woven ribbon(s) included in the kit is on a spool, and the narrow woven ribbon(s) is only one of multiple items included in the kit.

The merchandise subject to this order is classifiable under the HTSUS statistical categories 5806.32.1020; 5806.32.1030; 5806.32.1050 and 5806.32.1060. Subject merchandise also may enter under subheadings 5806.31.00; 5806.32.20; 5806.39.20; 5806.39.30; 5808.90.00; 5810.91.00; 5810.99.90; 5903.90.10; 5903.90.25; 5907.00.60; and 5907.00.80 and under statistical categories 5806.32.1080; 5810.92.9080; 5903.90.3090; and 6307.90.9889. The HTSUS statistical categories and subheadings are provided for convenience and customs purposes; however, the written description of the merchandise under the order is dispositive.

DISCUSSION OF THE ISSUES

Legal Framework

In accordance with section 751(c)(1) of the Act, the Department is conducting this sunset review to determine whether revocation of the *CVD Order* would be likely to lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, the Department shall consider: 1) the net countervailable subsidy determined in the investigation and any subsequent reviews; and 2) whether any changes in the programs which gave rise to the net countervailable subsidy have occurred that are likely to affect the net countervailable subsidy.

Pursuant to section 752(b)(3) of the Act, the Department shall provide to the International Trade Commission (ITC) the net countervailable subsidy likely to prevail if the *CVD Order* were revoked. In addition, consistent with section 752(a)(6) of the Act, the Department shall provide to the ITC information concerning the nature of the subsidy and whether it is a subsidy described in Article 3 or Article 6.1 of the 1994 World Trade Organization Agreement on Subsidies and Countervailing Measures (ASCM).

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

Berwick Offray's Comments

Berwick Offray argues that there will be material injury to the domestic ribbon industry if the *CVD Order* is revoked pursuant to this sunset review. Berwick Offray further argues that subsidization of ribbons from the PRC is likely to recur if the *CVD Order* is revoked pursuant to this sunset review. Berwick Offray maintains that there is no indication that any of the programs found to have provided countervailable subsidies were terminated or that benefits ceased following the imposition of countervailing duties on subject imports from the PRC in 2010.

Berwick Offray argues that the absence of an administrative review of the *CVD Order* signifies the continuation of a subsidy program because it demonstrates that no interested parties have brought to the Department's attention changes to a subsidy program. Berwick Offray points out that there has been only one completed administrative review of the *CVD Order* and that involved only one producer/exporter who did not fully participate; according to Berwick Offray, this signifies that the Department has not found any significant changes to China's subsidy programs. No other evidence has been submitted to the Department purporting to establish a change in China's subsidy programs.

Department's Position

Section 752(b)(1) of the Act directs the Department, in determining the likelihood of continuation or recurrence of a countervailable subsidy, to consider the net countervailable subsidy determined in the investigation and subsequent reviews, and whether there has been any change in a program found to be countervailable that is likely to affect that net countervailable subsidy. According to the Statement of Administrative Action accompanying the Uruguay Round Agreements Act (SAA), the Department will consider the net countervailable subsidies in effect after the issuance of the order and whether the relevant subsidy programs have been continued, modified, or eliminated.¹⁷ The SAA adds that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies.¹⁸ Additionally, the presence of programs that have not been used, but also have not been terminated without residual benefits or replacement programs, is also probative of the likelihood of continuation or recurrence of a countervailable subsidy.¹⁹ Where a subsidy program is found to exist, the Department will normally determine that revocation of the *CVD Order* is likely to lead to continuation or recurrence of a countervailable subsidy regardless of the level of subsidization.²⁰

As the Department has stated in other sunset determinations, two conditions must be met in order for a subsidy program not to be included in determining the likelihood of continued or recurring

¹⁷ See SAA, H. Doc. No. 103-316, 103d Cong., 2d Session, Vol. 1 (1994) at 888.

¹⁸ *Id.*

¹⁹ See, e.g., *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil: Final Results of Full Sunset Review of Countervailing Duty Order*, 75 FR 75455 (December 3, 2010) and accompanying Issues and Decision Memorandum at Comment 1.

²⁰ *Id.*

subsidization: (1) the program must be terminated; and (2) any benefit stream must be fully allocated.²¹ The Department has further stated that, in order to determine whether a program has been terminated, the Department will consider the legal method by which the government eliminated the program and whether the government is likely to reinstate the program.²² The Department normally expects a program to be terminated by means of the same legal mechanism used to institute it.²³ Where a subsidy is not bestowed pursuant to a statute, regulation or decree, the Department may find no likelihood of continued or recurring subsidization if the subsidy in question was a one-time, company-specific occurrence that was not part of a broader government program.²⁴

As indicated above, there has been only one administrative review since issuance of the *CVD Order*. In that review, the Department found that PRC producers of ribbons continued to receive countervailable subsidies from programs identified in the investigation. In addition, in that review, the Department identified additional countervailable subsidy programs providing benefits to PRC producers of ribbons. Moreover, neither the GOC nor other respondent interested parties participated in this sunset review. There is no information indicating any changes in the programs. Based on the facts on the record, the Department determines that there is a likelihood of continuation or recurrence of countervailable subsidies if the *CVD Order* were revoked because the record in this proceeding indicates that the subsidy programs found to have been countervailable during the investigation continue to exist.

2. Net Countervailable Subsidy Likely to Prevail

Berwick Offray's Comments

Berwick Offray points out that the Department established in the original investigation an estimated net subsidy for all other Chinese manufacturers, producers, and exporters of 1.56 percent *ad valorem*, and Changtai Rongshu Textile Co. received a net subsidy rate of 117.95 percent *ad valorem*. Berwick Offray maintains that these rates represent the last level at which Chinese producers shipped the subject ribbons without an order in place. Therefore, Berwick Offray argues that the subsidy rates from the original investigation are the rates that would prevail in the event of revocation of the *CVD Order*.

²¹ See, e.g., *Preliminary Results of Full Sunset Review: Certain Corrosion-Resistant Carbon Steel Flat Products from France*, 71 FR 30875 (May 31, 2006) and accompanying Issues and Decision Memorandum at 5-7, unchanged in *Corrosion-Resistant Carbon Steel Flat Products From France; Final Results of Full Sunset Review*, 71 FR 58584 (October 4, 2006).

²² See, e.g., *Fresh and Chilled Atlantic Salmon From Norway: Final Results of Full Third Sunset Review of Countervailing Duty Order*, 76 FR 70411 (November 14, 2011) and accompanying Issues and Decision Memorandum at Comment 1.

²³ See, e.g., *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products from India*, 66 FR 49635 (September 28, 2001) and accompanying Issues and Decision Memorandum at Comment 7.

²⁴ See, e.g., *Stainless Steel Plate in Coils from Belgium: Final Results of Full Sunset Review and Revocation of the Countervailing Duty Order*, 76 FR 25666 (May 5, 2011) and accompanying Issues and Decision Memorandum at Comment 1.

Department's Position

Consistent with the SAA and legislative history, the Department normally will provide to the ITC the net countervailable subsidy that was determined in the investigation as the subsidy rate likely to prevail if the order is revoked, because it is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place.²⁵

Section 752(b)(1)(B) of the Act provides, however, that the Department will consider whether any change in the programs that gave rise to the net countervailable subsidy determination in the investigation or subsequent reviews has occurred that is likely to affect the net countervailable subsidy.

Therefore, although the SAA and House Report provide that the Department normally will select a rate from the investigation, this rate may not be the most appropriate if, for example, the rate was derived (in whole or part) from subsidy programs which were found in subsequent reviews to be terminated, there has been a program-wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review.²⁶

In this proceeding, the Department has conducted one administrative review of the *CVD Order* and calculated a net subsidy rate of 88.49 percent for Bestpak. However, Bestpak was not investigated in the original investigation and the Department did not adjust the rates for the originally investigated firms to account for additional subsidies, program-wide changes or terminated programs.

Consistent with section 752(b)(3) of the Act, the Department will provide to the ITC the net countervailable subsidy rates shown in the section entitled "Final Results of Review" below.

3. Nature of the Subsidy

Consistent with section 752(a)(6) of the Act, the Department is providing the following information to the ITC concerning the nature of the subsidies and whether the subsidies are subsidies as described in Article 3 or Article 6.1 of the WTO ASCM. We note that Article 6.1 of the ASCM expired effective January 1, 2000.

The following programs do not fall within the meaning of Article 3.1 of the ASCM, but could be subsidies described in Article 6.1 of the ASCM if the amount of the subsidy exceeds five percent, as measured in accordance with Annex IV of the ASCM. The subsidies could also fall within the meaning of Article 6.1 if they constitute debt forgiveness, a grant to cover debt repayment, or are subsidies to cover operating losses sustained by an industry or enterprise. Because there is insufficient information on the record to make this determination conclusively, the Department is providing to the ITC a list of the programs for which we applied adverse facts available to the non-cooperating respondents in the investigation. We are providing the ITC with the following program descriptions:

²⁵ See SAA at 890, and House Report, H.R. Rep. No. 103-826 (1994) (House Report) at 64.

²⁶ See *Stainless Steel Sheet and Strip in Coils From the Republic of Korea: Final Results of Expedited Second Sunset Review*, 75 FR 62101 (October 7, 2010), and accompanying Issues and Decision Memorandum at 4.

1. Preferential Tax Policies for Enterprises with Foreign Investment (Two Free, Three Half) Program: Under Article 8 of the *FIE Tax Law*, an FIE that is “productive” and is 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.
2. Local Income Tax Exemption and Reduction Programs for “Productive” Foreign-Invested Enterprises: Under Article 9 of the *FIE Tax Law*, the provincial governments have the authority to exempt “productive” FIEs within their jurisdiction from the local income tax of three percent.²⁷
3. Xiamen Municipal Science and Technology Grant: The purpose of this program is to improve the development of new products by promoting scientific and technological achievements, cooperation in production and research, construction of key technology infrastructure platforms, industrialization of high-tech industry, pre-decision research, and other relevant scientific and technological activities in the city of Xiamen.²⁸
4. International Market Development Fund Grants for SMEs: The purpose of this joint national and local program is to assist Small and Medium Enterprises (SMEs) to explore business opportunities in the international market.²⁹

The AFA subsidy rate for Bestpak was based on the following additional countervailable programs from the administrative review for the period 1/1/2012 to 12/31/2012:³⁰

1. Tax Subsidies to FIEs in Specially Designated Areas: These subsidies are composed of reduced income taxes for FIEs located in specifically designated areas. These areas include those designated by the GOC as “free trade,” “high technology,” “coastal open economic zones,” or the “old urban district” of certain cities. According to Article 5 of the Income Tax Law of the People’s Republic of China on Enterprises with Foreign Investment and Foreign Enterprises, the income tax on enterprises with foreign investment and foreign enterprises shall be 33 percent. Article 7 of the same Income Tax Law lists the types of areas designated by the State Council for special income tax treatment at the reduced rates of either 24 or 15 percent.
2. Preferential Tax Policies for Export-Oriented FIEs: This subsidy allows an FIE to continue to pay half of its applicable income tax rate following the expiration of the “Two Free, Three Half” program if exports constitute 70 percent of the company’s sales. Moreover, export-oriented enterprises in specially designated zones already eligible to pay half the standard income tax rate may receive a further rate reduction through this program.

²⁷ See letter from the GOC, “Countervailing Duty Investigation of Narrow Woven Ribbons with Woven Selvedge from the People’s Republic of China: Questionnaire Response,” (October 19, 2009) at Exhibit G-1.

²⁸ See *id.* at 2.

²⁹ See *id.* at 15.

³⁰ See AR3 IDM at 5-9.

3. Tax Program for High or New Technology FIEs: The GOC provides tax benefits to enterprises recognized as high or new technology enterprises established in state high or new technology development zones, and for advanced technology enterprises invested in and operated by foreign businesses. These benefits include a reduced income tax rate of 15 percent, and additional tax preferences administered by the governments of the development zones.
4. Preferential Tax Policies for Township Enterprises: A tax program where township enterprises pay only ninety percent of both the national and provincial income taxes; this amount is 29.7 percent instead of the combined 33 percent national and provincial income tax rate for social expenditures.
5. Preferential Tax Policies for Research and Development for FIEs: A program where FIEs engaged in research and development may offset 150 percent from that year's taxable income (if such expenses have increased by at least ten percent over the previous year).
6. Policy Loans to Narrow Woven Ribbon Producers from State-owned Commercial Banks: This program is composed of lending programs that provide discounted loans to promote certain categories of economic activity that pertain to the narrow woven ribbons industry.
7. Xiamen Promotion of Domestic Market Grants: This is a locally administered program with the purpose of promoting sales in the domestic market.
8. The State Key Technology Renovation Project Fund: This Fund was created to promote: 1) technological renovation in key industries, enterprises and products; 2) facilitation of technology upgrades; 3) improvement of product structure; 4) improvements in quality; 5) increased supply; 6) expansion of domestic demand; and 7) continuous and healthy development of the state economy.
9. Famous Brands Program: The GOC operates a program to support the development of "famous brands." Its benefits include subsidizing brand promotion activities, free media publicity, subsidizing exhibition and shipping expenses for major trade fairs, subsidizing the expenses of opening of sales branches in foreign markets, subsidizing the expenses for trademark and patent applications in overseas markets, and subsidizing legal expenses for dealing with intellectual property infringement cases.
10. Export Assistance Grants: These grants are designed to assist businesses that export their products.
11. Export Interest Subsidy Funds for Enterprises Located in Zhejiang Province: This is a Zhejiang Provincial subsidy wherein the provincial government provides local enterprises with export subsidies that increase as the value of the exports increase.
12. Technology Grants for Enterprises Located in Zhejiang Province: This is a Zhejiang Provincial subsidy for enterprises located in Zhejiang Province.

13. Tax Benefits for FIEs in Encouraged Industries that Purchase Domestic Equipment: Preferential income tax policies offered to FIEs if they upgrade their manufacturing operations with Chinese-made equipment.
14. Corporate Income Tax Refund Program for Reinvestment of FIE Profits in Export-Oriented Enterprises: A refund program where FIEs that re-invest profits into the same FIE, or use those profits to establish another FIE (or high-technology company), are eligible for complete refunds of the corporate income tax already paid on the invested amount, so long as the recipient of the investment is export-oriented and scheduled to operate for at least five years.
15. Import Tariff and VAT Exemptions for FIEs Using Imported Technology and Equipment: A program where FIEs are exempted from paying VAT and tariffs on imported equipment, provided that the equipment is not for resale and is not included in the *Catalog of Non-Duty-Exemptible Article of Importation for Foreign Invested Enterprises*.
16. Import Tariff and VAT Exemptions for Certain Domestic Enterprises Using Imported Technology and Equipment: Domestic enterprises engaged in activities listed in the *Catalogue of Major Industries, Products and Technologies Encouraged for Development in China* are exempted from import tariffs and VAT payments for equipment, technology, and spare parts acquired from abroad.
17. VAT Rebate for FIE Purchases of Domestically Produced Equipment: FIEs receive refunds on the VAT paid for purchases of domestically produced equipment that is classified in the Encouraged Category and the Restricted B Category of the Directive Category of Foreign-Funded Industries as well as purchases from domestic markets for investment projects listed in the Catalogue of Key Industries, Products and Technologies Encouraged for Development by the State, which includes the chemical industry.

FINAL RESULTS OF REVIEW

The Department finds that revocation of the *CVD Order* would be likely to lead to continuation or recurrence of countervailable subsidies at the rates listed below:

Manufacturers/Exporters	Net countervailable subsidy rate (percent)
Changtai Rongshu Textile Co., Ltd	117.95
Yama Ribbons and Bows Co., Ltd	1.56
All Others	1.56

RECOMMENDATION:

Based on our analysis of the substantive responses received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of this review in the *Federal Register*, and notify the ITC of our findings.

AGREE _____

DISAGREE _____

Christian Marsh
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations