August 7, 2015

MEMORANDUM TO: Ronald K. Lorentzen
   Acting Assistant Secretary
   for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Negative Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the Sultanate of Oman

I. SUMMARY

The Department of Commerce (Department) preliminarily determines that de minimis countervailable subsidies are being provided to the only known producer of certain polyethylene terephthalate resin (PET resin) in the Sultanate of Oman (Oman), as provided in section 703 of the Tariff Act of 1930, as amended (the Act).

II. BACKGROUND

A. Initiation and Case History

On March 10, 2015, DAK Americas, LLC, M&G Chemicals, and Nan Ya Plastics Corporation, America, (Petitioners) filed a petition with the Department seeking the imposition of countervailing duties (CVDs) on PET resin from, inter alia, Oman.\(^1\) Supplements to the petition and our consultations with the Government of the Sultanate of Oman (GSO) are described in the Initiation Checklist.\(^2\) On March 30, 2015, the Department initiated a CVD investigation on PET resin from Oman.\(^3\)

We stated in the Initiation Notice that we intended to examine the one known producer/exporter of PET resin in this investigation with regard to Oman, OCTAL Petrochemicals LLC FZC.\(^4\)

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\(^4\) Id. at 18372.
We sent the initial countervailing duty questionnaire seeking information regarding the alleged subsidies on April 16, 2015. We received responses to our questionnaires from OCTAL SAOC - FZC (OCTAL) on April 30, June 1, June 5, and July 6. The GSO filed its initial questionnaire response on June 5. On July 6 and 13, we received the GSO’s supplemental questionnaire responses.

On May 12, June 22, and July 17, Petitioner submitted comments on OCTAL’s and the GSO’s questionnaire responses.

On May 4, 2015, Petitioners requested that the deadline for the preliminary determination be extended by 65 days. The Department granted Petitioners’ request and on May 7, 2015, postponed the preliminary determination until August 7, 2015, in accordance with section 703(c)(1)(A) of the Act and 19 CFR 351.205(b)(2).

On June 29, 2015, Petitioners submitted a new subsidy allegation (NSA). We initiated an investigation of the NSA on July 24, 2015. On August 3, 2015, we issued a questionnaire to OCTAL and the GSO requesting additional information regarding the allegation. The questionnaire is currently due August 13, 2015. The timing of the questionnaire responses submitted by OCTAL and the GSO are such that we are not able to incorporate them into our preliminary determination. As explained below, we intend to examine these programs after the preliminary determination.

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6 See Letter from OCTAL, “Affiliation Response of OCTAL SAOC - FZC: Polyethylene Terephthalate (PET) Resin from Oman,” dated April 30, 2015 (OQR1); see also Letter from OCTAL, “First Supplemental Questionnaire Response of OCTAL SAOC FZC: Certain Polyethylene Terephthalate (PET) Resin from the Sultanate of Oman,” dated June 1, 2015 (OQR2); see also Letter from OCTAL, “OCTAL’s CVD Questionnaire Response: Certain Polyethylene Terephthalate (PET) Resin from the Sultanate of Oman,” dated June 5, 2015 (OQR3); see also Letter from OCTAL, “OCTAL’s Second Supplemental CVD Questionnaire Response: Certain Polyethylene Terephthalate (PET) Resin from the Sultanate of Oman,” dated July 6, 2015 (OQR4). OCTAL reported in its responses that, as part of the requirements of the financing of OCTAL Petrochemicals LLC FZC, on May 26, 2014, the company changed its legal form from a limited liability company to a closed joint stock company. Accordingly, the new name of the company is OCTAL SAOC FZC. See OQR1 at 5; see also OQR3 at Exhibit 2 (OCTAL financial statements for Fiscal Year 2014, at 49).
B. Period of Investigation

The period of investigation (POI) is January 1, 2014, through December 31, 2014.

III. ALIGNMENT

In accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4), and based on Petitioners’ request, we are aligning the final CVD determination in this investigation with the final determination in the companion antidumping (AD) investigation of PET resin from Oman. Consequently, the final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be due no later than December 21, 2015, unless postponed.

IV. 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 by April 20, 2015. On April 10, 2015, the Department placed on the record a memorandum setting forth the scope of merchandise subject to this investigation. The Department received no comments.

Any modifications to the scope or scope exclusions that may be made in the AD preliminary determination will be placed on the record of this CVD investigation and parties will be afforded an opportunity to comment.

V. SCOPE OF THE INVESTIGATION

The merchandise covered by this investigation is polyethylene terephthalate (PET) resin having an intrinsic viscosity of at least 0.70, but not more than 0.88, deciliters per gram. The scope includes blends of virgin PET resin and recycled PET resin containing 50 percent or more virgin PET resin content by weight, provided such blends meet the intrinsic viscosity requirements above. The scope includes all PET resin meeting the above specifications regardless of additives introduced in the manufacturing process.


The actual deadline is 75 days after the date of the preliminary determinations, or December 20, 2015, which is a Sunday. Department practice dictates that where a deadline falls on a weekend or federal holiday, the appropriate deadline is the next business day (in this instance, December 21, 2015). See Notice of Clarification: Application of “Next Business Day” Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended, 70 FR 24533 (May 10, 2005).

See Antidumping Duties; Countervailing Duties, 62 FR 27296, 27323 (May 19, 1997); see also Initiation Notice, 80 FR at 18370.

The merchandise subject to this investigation is properly classified under subheading 3907.60.00.30 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

VI. INJURY TEST

Because Oman 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 Oman materially injure, or threaten material injury to, a U.S. industry. On April 24, 2015, the ITC determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of PET resin from, *inter alia*, Oman.16

VII. 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. Pursuant to 19 CFR 351.524(d)(2) and the U.S. Internal Revenue Service’s Table of Class Lives and Recovery Periods, the AUL for production assets in the chemical industry, the category applicable to PET resin, is 9.5 years, which is rounded to establish an AUL of 10 years in this investigation.17 There are no non-recurring subsidy benefits in this preliminary determination, and thus no benefits were allocated across the AUL.

B. Attribution of Subsidies

The Department’s regulations at 19 CFR 351.525(b)(6)(i) state that the Department will normally attribute a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) directs that the Department will attribute subsidies received by certain other companies to the combined sales of those companies if (1) cross-ownership exists between the companies, and (2) the cross-owned companies produce the subject merchandise, are a holding or parent company of the subject company, produce an input that is primarily dedicated to the production of the downstream product, or transfer a subsidy to a cross-owned company.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This regulation states that this standard will normally be met where there is a major voting interest between two corporations or through common ownership of two (or more) corporations. The Court of

16 See Certain Polyethylene Terephthalate Resin from Canada, China, India, and Oman, Investigation Nos. 701-TA-531-533 and 731-TA-1270-1273 (Preliminary), Publication 4531 (May 2015); Certain Polyethylene Terephthalate Resin From Canada, China, India, and Oman, 80 FR 24276 (April 30, 2015).
International Trade (CIT) has upheld the Department’s authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.18

OCTAL identified its parent holding company, OCTAL Holding SAOC as a cross-owned company.19 Therefore, for purposes of this preliminary determination, we are examining subsidies provided to OCTAL and OCTAL Holding SAOC.

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 export 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 Memorandum” prepared for this investigation.20

VIII. ANALYSIS OF PROGRAMS

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

A. Program Preliminarily Determined To Be Countervailable

1. Provision of Electricity for Less Than Adequate Remuneration (LTAR):

The provision of electricity is regulated, owned, and controlled completely by the GSO, which sets out standard rates for different categories of users, e.g., commercial, industrial, and residential applicable to all consumers in Oman.21 These rates to final customers are determined and approved by the Council of Ministers.22 The Commercial Permitted tariff is a flat rate charge for all hours, while the Industrial Tariff varies by season (higher in summer than in winter months).23 OCTAL reported that seven of the ten electric meters at its production facilities are designated to be billed at the industrial rate, and were billed at that rate during the POI.24

The Department previously found this program to be countervailable in CWP from Oman.25 Consistent with our determination in CWP from Oman, we preliminarily determine that this

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19 *See OQR1 at 4.
20 *See Department Memorandum 1, “Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from Oman: OCTAL’s Preliminary Calculation Memorandum,”* dated concurrently with this memorandum (OCTAL Preliminary Calculation Memorandum).
21 *See GQR1 at 38.
22 *Id. at 40.
23 *Id.
24 *See OQR3 at 21 and Exhibits 18 and 20.
program constitutes a financial contribution in the form of a provision of a good or service by the GSO, pursuant to section 771(5)(D)(iii) of the Act. Additionally, we determine that the GSO’s provision of electricity at the industrial rate is de jure specific under section 771(5A)(D)(i) of the Act because it is expressly limited to industrial enterprises (defined by law as enterprises whose basic objective must be to convert raw material into fully-manufactured or semi-manufactured products or to convert semi-manufactured products to fully-manufactured products), excluding commercial enterprises, the military, the government, residences, the agriculture and fishing industries, and the tourism industry. To be eligible for the industrial user rate, a company must have a letter of recommendation from the Ministry of Commerce and Industry and meet a stipulated power factor. OCTAL met these requirements.

Section 351.511(a)(2) of the Department’s regulations sets forth the regulatory structure for identifying comparative benchmarks for determining whether a government good or service is provided for LTAR. Under 19 CFR 351.511(a)(2)(i), the Department’s preference is to use market prices from actual transactions within the country under investigation. As explained above, however, the provision of electricity in Oman is regulated, owned, and controlled completely by the GSO, and there are no market-determined prices within Oman. Under 19 CFR 351.511(a)(2)(ii), we next look to world market prices where we can reasonably conclude that such a price would be available to users in Oman, pursuant to 19 CFR 351.511(a)(2). However, while Petitioners have placed electricity prices on the record that are available in Jordan and Iraq, there is no evidence on the record of electricity prices that would be available to users in Oman. When there is no world market price available to purchasers in the country in question, we normally assess whether the government price is consistent with market principles, in accordance with 19 CFR 351.511(a)(2)(iii). We preliminarily determine that the rate charged to commercial users provides a suitable benchmark for measuring the benefit under this program, pursuant to 19 CFR 351.511(a)(2)(iii). Because OCTAL reported, and its electricity bills show, that it pays the industrial rate for its electricity usage, which changes seasonally, the Department has calculated a benefit for the months in which the rate is lower than the commercial rate. On this basis, we determine that OCTAL received a countervailable subsidy of 0.18 percent ad valorem under this program.

2. Provision of Land or Leases for Land for LTAR

The GSO reported that most industries in Oman are located in either industrial estates or free trade zones installed on land which is GSO property. OCTAL is located in the Salalah Free Zone (SFZ), which is one such property. Free zones such as the SFZ are designated

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26 See 19 CFR 351.511(a)(1) and (2).
27 See GQR1 at 9.
28 See GQR1 at 38-40.
29 See OQR3 at 24.
30 See OQR4 at 16-17.
32 See CWP from Oman, and accompanying IDM at 7-8.
33 See GQR1 at 16
34 See GQR1 at Exhibit 5.
geographic areas within Oman aimed at economic development.\textsuperscript{35} OCTAL rents the land via a usufruct agreement from the Salalah Free Zone Company, a state-owned company established by Royal Decree, which operates the SFZ.\textsuperscript{36} Given that the Salalah Free Zone Company was established by, and is owned by, the government to pursue the objective of economic development, we preliminarily determine that the Salalah Free Zone Company is an “authority” as defined by section 771(5)(B) of the Act. Further, we preliminarily determine that OCTAL’s lease of land from an authority is a provision of a good, and therefore is a financial contribution as defined by section 771(5)(D)(iii) the Act. Additionally, we determine that the Salalah Free Zone Company’s provision of land in the SFZ is specific as an export subsidy within the meaning of section 771(5A)(B) of the Act because it is expressly limited to enterprises which export 70 percent of their products.\textsuperscript{37}

As described above, section 351.511(a)(2) of the Department’s regulations sets forth the regulatory structure for identifying comparative benchmarks for determining whether a government good or service is provided for LTAR. The Department’s preference is to use market prices from actual transactions within the country under investigation. In this instance, we have preliminarily used a simple average of six industrial land rental offers in Oman placed on the record by GSO and Petitioners, to measure the benefit for land for LTAR.\textsuperscript{38} We preliminarily determine that the rates represent the most reasonably comparable rental rate to OCTAL’s usufruct rental rate on the record, as they are rates obtained within Oman and are applicable to industrial land. Because the listings apply to 2015, we will deflate the rate to the POI using the Oman Consumer Price Index, as published in the International Monetary Fund’s International Financial Statistics, prior to comparison with OCTAL’s 2014 rent paid. On this basis, we determine that OCTAL received a countervailable subsidy of 0.01 percent \textit{ad valorem} under this program. The Department intends to seek further information from the GSO regarding completed industrial land rentals to potentially use as benchmarks in the final determination.

B. Programs Preliminarily Determined Not To Confer A Benefit During The POI

\textit{Exemption from Corporate Income Tax for Companies Located in the Salalah Free Zone (SFZ)}

According to Article 3 of Royal Decree (RD) 56/2002 Promulgating the Free Zones Law, as well as Article 3 of Royal Decree (RD) 62/2006 Regarding the Establishment of Salalah Free Zone, and Article 24 of Ministerial Decree (MD) 15/2011 Issuing the Regulation of Salalah Free Zone as amended by Ministerial Decree (MD) 45/2011, OCTAL is entitled to a corporate tax and filing exemption as a free zone company.\textsuperscript{39} However, OCTAL also reported that for the 2013 tax year it had no taxable income to which the exemption provided for in these provisions could be applied. Under 19 CFR 351.509(a), an income tax benefit is equal to the difference between the income tax actually paid and the income tax that would have paid absent the program. Because

\textsuperscript{35} See GQR1at 8.
\textsuperscript{36} See GQR1at Exhibits 5 and 6.
\textsuperscript{37} See OCTAL Preliminary Calculation Memorandum.
\textsuperscript{38} See GQR1at Exhibits 6 (Article 25).
\textsuperscript{39} See OQR2 at Exhibits 5-8.
OCTAL had no profit in 2013, it had no taxable income, and did not pay income taxes. Thus, although the OCTAL used the program, we preliminarily determine that no benefit exists during the POI under this program.

C. Programs Preliminarily Determined To Not Be Countervailable

Tariff Exemptions on Imported Equipment, Machinery, Raw Materials and Packaging Materials

According to Article 3 of Royal Decree (RD) 56/2002 Promulgating the Free Zones Law, as well as Article 3 of Royal Decree (RD) 62/2006 Regarding the Establishment of Salalah Free Zone, and Article 24 of Ministerial Decree (MD) 15/2011 Issuing the Regulation of Salalah Free Zone as amended by Ministerial Decree (MD) 45/2011, OCTAL’s imports into the SFZ receive duty free treatment because the SFZ is “outside the customs territory of Oman” and therefore imports received in the zone are not subject to customs duties. Generally, duty exemptions constitute a financial contribution in the form of revenue foregone by the government. However, if raw materials and equipment do not enter the customs territory of Oman, the Department considers that they are not dutiable and thus no revenue is foregone. Consistent with this policy, we preliminarily determine that this program does not provide a financial contribution. We will further examine the SFZ system at verification to determine whether it adequately meets the standards for non-countervailability on this basis.

D. Programs For Which More Information Is Necessary

In their June 29, 2015 NSA Submission, Petitioners alleged that OCTAL is a predominant user or disproportionate recipient of infrastructure investments (or other “financial resources”) that may have been provided by SFZ. On July 24, 2015, the Department initiated an investigation of this program. On August 3, 2015, we issued a new subsidy questionnaire to OCTAL and the GSO. The questionnaire is currently due August 13, 2015. We will issue a determination with respect to the alleged program after the preliminary determination.

E. Programs Preliminarily Determined Not To Be Used

1. Development Loans for Industrial Projects by the Oman Development Bank
2. Export Credit Discounting Subsidy
3. Pre-Shipment Export Credit Guarantees

IX. CALCULATION OF THE ALL OTHERS RATE

Consistent with section 703(d) of the Act, the Department did not calculate an all-others rate because it did not reach an affirmative preliminary determination.

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42 See NSA Submission.
43 See NSA Initiation.
X. ITC NOTIFICATION

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

In accordance with section 705(b)(3) of the Act, if our final determination is affirmative, the ITC will make its final determination within 75 days after we make our final determination.

XI. 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.\(^{44}\) Case briefs or other written comments for all non-scope issues may be submitted to Enforcement and Compliance’s Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) no later than seven days after the date on which the final verification report is issued in this proceeding, and rebuttal briefs, limited to issues raised in case briefs, may be submitted no later than five days after the deadline date for case briefs.\(^{45}\) Case briefs or other written comments on scope issues may be submitted no later than 30 days after the publication of this preliminary determination in the Federal Register, and rebuttal briefs, limited to issues raised in the case briefs, maybe submitted no later than five days after the deadline for the case briefs. For any briefs filed on scope issues, parties must file separate and identical documents on each of the records for the three concurrent countervailing duty investigations.

Parties who submit case briefs or rebuttal briefs in this proceeding are encouraged to submit with each argument: (1) a statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities.\(^{46}\) This summary should be limited to five pages total, including footnotes.

Interested parties who wish to request a hearing must do so in writing within 30 days after the publication of this preliminary determination in the Federal Register.\(^{47}\) 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, D.C. 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 the Department’s electronic records system, ACCESS.\(^{48}\) Electronically filed documents must be

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\(^{44}\) See 19 CFR 351.224(b).

\(^{45}\) See 19 CFR 351.309(c)-(d); see also 19 CFR 351.303 (for general filing requirements).

\(^{46}\) See 19 CFR 351.309(c)(2) and (d)(2).

\(^{47}\) See 19 CFR 351.310(c).

\(^{48}\) See 19 CFR 351.303(b)(2)(i).
received successfully in their entirety by 5:00 p.m. Eastern Time,\(^{49}\) on the due dates established above.

**XII. 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.

**XIII. RECOMMENDATION**

We recommend that you approve the preliminary findings described above.

\(\checkmark\) 
Agree Disagree

Ronald K. Lorentzen  
Acting Assistant Secretary for Enforcement and Compliance

\textit{August 7, 2015}  
(Date)

\(^{49}\) See 19 CFR 351.303(b)(1).