



C-570-971  
Administrative Review  
POR: 1/1/2012 – 12/31/2012  
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December 30, 2014

MEMORANDUM TO: Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for Preliminary Results of Countervailing  
Duty Administrative Review: Multilayered Wood Flooring from  
the People's Republic of China

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### Summary

The Department of Commerce (the Department) is conducting an administrative review of the countervailing duty (CVD) order on multilayered wood flooring (wood flooring) from the People's Republic of China (PRC). The period of review (POR) is January 1, 2012, through December 31, 2012. We preliminarily find that the mandatory respondents Fine Furniture (Shanghai) Limited (Fine Furniture) and The Lizhong Wood Industry Limited Company of Shanghai (Lizhong) (also known as "Shanghai Lizhong Wood Products Co., Ltd.") received countervailable subsidies during the POR. The mandatory respondents' CVD rates have been used to calculate the rate applied to the other firms subject to this review. We also are preliminarily rescinding the review with respect to Changzhou Hawd Flooring Co. Ltd. (Changzhou), a producer and exporter that timely certified it had no shipments during the POR.

### Background

On December 8, 2011, the Department published the CVD order on wood flooring from the PRC.<sup>1</sup> On December 3, 2013, we published a notice of "Opportunity to Request Administrative Review" for the CVD order.<sup>2</sup> Subsequently, on December 31, 2012, the Coalition for American

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<sup>1</sup> See *Multilayered Wood Flooring from the People's Republic of China: Countervailing Duty Order*, 76 FR 76693 (December 8, 2011); see also *Multilayered Wood Flooring from the People's Republic of China: Amended Antidumping and Countervailing Duty Orders*, 77 FR 5484 (February 3, 2012), wherein the scope of the CVD order was modified.

<sup>2</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 78 FR 72636 (December 3, 2013).

Hardwood Parity<sup>3</sup> (hereinafter, the petitioner) requested that we review 89 exporters and/or producers of the subject merchandise.<sup>4</sup> In addition, we received review requests from 19 exporters and/or producers of the subject merchandise. In accordance with 19 CFR 351.221(c)(1)(i), we published a notice initiating the review on February 3, 2014.<sup>5</sup>

On February 10, 2014, we released under administrative protective order, and requested comments regarding, data obtained from U.S. Customs and Border Protection (CBP) regarding entries of the subject merchandise from the PRC during the POR for all the exporters and/or producers for which a review was requested.<sup>6</sup> On February 18, 2014, we received comments on the CBP data from Fine Furniture.<sup>7</sup> On April 4, 2014, Changzhou certified that it had no exports, sales, or entries for consumption in the United States of subject merchandise during the POR. Subsequently, on April 22, 2014, we selected Fine Furniture and Lizhong as mandatory respondents in this administrative review.<sup>8</sup>

We issued initial questionnaires to the Government of the PRC (the GOC), Fine Furniture, and Lizhong on May 21, 2014. Fine Furniture and Lizhong submitted responses to our affiliation questions on June 4, 2014.<sup>9</sup> Fine Furniture and Lizhong submitted the remaining portion of their initial questionnaire responses on July 7, 2014,<sup>10</sup> and July 14, 2014,<sup>11</sup> respectively. The GOC also submitted its initial questionnaire response on July 14, 2014.<sup>12</sup>

In accordance with section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2), on August 11, 2014, we extended the time limit for completion of these preliminary results by 106 days to

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<sup>3</sup> The Coalition for American Hardwood Parity includes: Anderson Hardwood Floors, LLC; Award Hardwood Floors; Baker's Creek Wood Floors, Inc.; From the Forest; Howell Hardwood Flooring; Mannington Mills, Inc.; Nydree Flooring; and, Shaw Industries Group, Inc.

<sup>4</sup> See Letter from the petitioner, "Request for Administrative Review: Multilayered Wood Flooring from the People's Republic of China" (December 31, 2013).

<sup>5</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 79 FR 6147, 6158 (February 3, 2014).

<sup>6</sup> See Memorandum to the File, "Release of Customs and Border Protection (CBP) Data" (February 10, 2014).

<sup>7</sup> See Letter from Fine Furniture, "Administrative Review of the Countervailing Duty Order on Multilayered Wood Flooring from the People's Republic of China: Comments on Customs and Border Protection Data" (February 18, 2014).

<sup>8</sup> See Memorandum to Thomas Gilgunn, "Countervailing Duty Administrative Review: Multilayered Wood Flooring from the People's Republic of China: Respondent Selection" (April 22, 2014).

<sup>9</sup> See Letter from Fine Furniture, "Administrative Review of the Countervailing Duty Order on Multilayered Wood Flooring from the People's Republic of China - CVD Questionnaire Response of Fine Furniture (Shanghai) Limited, Part I: Producers/Exporters Subject to Review" (June 4, 2014) (FF Affiliation Response); Letter from Lizhong "Multilayered Wood Flooring from the People's Republic of China: Shanghai Lizhong Wood Products co., Ltd./The Lizhong wood Industry Limited Company of Shanghai ("Lizhong") and Linyi Youyou Wood Co., Ltd. ("Youyou")'s Questionnaire Response to Section III – Identifying Affiliated Companies" (June 4, 2014) (Lizhong Affiliation Response).

<sup>10</sup> See Letter from Fine Furniture, "Administrative Review of the Countervailing Duty Order on Multilayered Wood Flooring from the People's Republic of China - CVD Questionnaire Response of Fine Furniture (Shanghai) Limited, Part II: General Questions" (July 7, 2014) (FFQR).

<sup>11</sup> See Letter from Lizhong, "Multilayered Wood Flooring from the People's Republic of China: Shanghai Lizhong/ Linyi Youyou Wood Co., Ltd. Countervailing Duty Response" (July 14, 2014) (LQR).

<sup>12</sup> See Letter from the GOC, "Response of the Government of the People's Republic of China to the Department's Questionnaire: Multilayered Wood Flooring From the People's Republic of China (C-570-971)" (July 14, 2014) (GQR).

December 17, 2014,<sup>13</sup> and subsequently, on December 9, 2014, we again extended the time limit for completion of these preliminary results by 14 days to no later than December 31, 2014.<sup>14</sup>

We issued supplemental questionnaires to Fine Furniture on August 12, 2014, and to the GOC and Lizhong on September 25, 2014. We received responses from Fine Furniture on September 2, 2014,<sup>15</sup> the GOC on October 9, 2014,<sup>16</sup> and Lizhong on October 16, 2014.<sup>17</sup>

We issued second supplemental questionnaires to Fine Furniture on September 19, 2014, Lizhong on December 11, 2014, and to the GOC on December 17, 2014. We received responses from Fine Furniture on October 9, 2014,<sup>18</sup> and Lizhong on December 18, 2014.<sup>19</sup> The GOC's response to our second supplemental questionnaire remains outstanding.

### **Scope of the Order**

Multilayered wood flooring is composed of an assembly of two or more layers or plies of wood veneer(s)<sup>20</sup> in combination with a core. The several layers, along with the core, are glued or otherwise bonded together to form a final assembled product. Multilayered wood flooring is often referred to by other terms, *e.g.*, “engineered wood flooring” or “plywood flooring.” Regardless of the particular terminology, all products that meet the description set forth herein are intended for inclusion within the definition of subject merchandise.

All multilayered wood flooring is included within the definition of subject merchandise, without regard to: dimension (overall thickness, thickness of face ply, thickness of back ply, thickness of core, and thickness of inner plies; width; and length); wood species used for the face, back and inner veneers; core composition; and face grade. Multilayered wood flooring included within the definition of subject merchandise may be unfinished (*i.e.*, without a finally finished surface to protect the face veneer from wear and tear) or “prefinished” (*i.e.*, a coating applied to the face veneer, including, but not exclusively, oil or oil-modified or water-based polyurethanes, ultra

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<sup>13</sup> See Memorandum to Gary Taverman, Senior Advisor for Antidumping and Countervailing Duty Operations, “Multilayered Wood Flooring from the People’s Republic of China: Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review” (August 11, 2014).

<sup>14</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, “Multilayered Wood Flooring from the People’s Republic of China: Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review” (December 9, 2014).

<sup>15</sup> See Letter from Fine Furniture, “Administrative Review of the Countervailing Duty Order on Multilayered Wood Flooring from the People’s Republic of China: Response to the Department’s Supplemental Questionnaire” (September 2, 2014) (FF1SR).

<sup>16</sup> See Letter from the GOC, “Response of the Government of the People’s Republic of China to the Department’s Supplemental Questionnaire: Multilayered Wood Flooring From the People’s Republic of China (C-570-971)” (October 9, 2014) (GISR).

<sup>17</sup> See Letter from Lizhong, “Multilayered Wood Flooring from the People’s Republic of China: Lizhong’s Response to the First Supplemental Countervailing Duty Questionnaire” (October 16, 2014) (L1SR).

<sup>18</sup> See Letter from Fine Furniture “Administrative Review of the Countervailing Duty Order on Multilayered Wood Flooring from the People’s Republic of China: Response to the Department’s Second Supplemental Questionnaire” (October 9, 2014).

<sup>19</sup> See Letter from Lizhong, “Multilayered Wood Flooring from the People’s Republic of China: Lizhong’s Response to the Second Supplemental Countervailing Duty Questionnaire” (December 18, 2014).

<sup>20</sup> A “veneer” is a thin slice of wood, rotary cut, sliced or sawed from a log, bolt or flitch. Veneer is referred to as a ply when assembled.

violet light cured polyurethanes, wax, epoxy-ester finishes, moisture-cured urethanes and acid curing formaldehyde finishes.) The veneers may be also soaked in an acrylic-impregnated finish. All multilayered wood flooring is included within the definition of subject merchandise regardless of whether the face (or back) of the product is smooth, wire brushed, distressed by any method or multiple methods, or hand-scraped. In addition, all multilayered wood flooring is included within the definition of subject merchandise regardless of whether or not it is manufactured with any interlocking or connecting mechanism (for example, tongue-and-groove construction or locking joints). All multilayered wood flooring is included within the definition of the subject merchandise regardless of whether the product meets a particular industry or similar standard.

The core of multilayered wood flooring may be composed of a range of materials, including but not limited to hardwood or softwood veneer, particleboard, medium-density fiberboard, high-density fiberboard (HDF), stone and/or plastic composite, or strips of lumber placed edge-to-edge.

Multilayered wood flooring products generally, but not exclusively, may be in the form of a strip, plank, or other geometrical patterns (*e.g.*, circular, hexagonal). All multilayered wood flooring products are included within this definition regardless of the actual or nominal dimensions or form of the product.

Specifically excluded from the scope are cork flooring and bamboo flooring, regardless of whether any of the sub-surface layers of either flooring are made from wood. Also excluded is laminate flooring. Laminate flooring consists of a top wear layer sheet not made of wood, a decorative paper layer, a core-layer of HDF, and a stabilizing bottom layer.

Imports of the subject merchandise are provided for under the following subheadings of the Harmonized Tariff Schedule of the United States (HTSUS): 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.2510; 4412.31.2520; 4412.31.4040; 4412.31.4050; 4412.31.4060; 4412.31.4070; 4412.31.5125; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.6000; 4412.31.9100; 4412.32.0520; 4412.32.0540; 4412.32.0560; 4412.32.2510; 4412.32.2520; 4412.32.3125; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.5600; 4412.39.1000; 4412.39.3000; 4412.39.4011; 4412.39.4012; 4412.39.4019; 4412.39.4031; 4412.39.4032; 4412.39.4039; 4412.39.4051; 4412.39.4052; 4412.39.4059; 4412.39.4061; 4412.39.4062; 4412.39.4069; 4412.39.5010; 4412.39.5030; 4412.39.5050; 4412.94.1030; 4412.94.1050; 4412.94.3105; 4412.94.3111; 4412.94.3121; 4412.94.3131; 4412.94.3141; 4412.94.3160; 4412.94.3171; 4412.94.4100; 4412.94.5100; 4412.94.6000; 4412.94.7000; 4412.94.8000; 4412.94.9000; 4412.94.9500; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170; 4412.99.4100; 4412.99.5100; 4412.99.5710; 4412.99.6000; 4412.99.7000; 4412.99.8000; 4412.99.9000; 4412.99.9500; 4418.71.2000; 4418.71.9000; 4418.72.2000; and 4418.72.9500.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise is dispositive.

## **Intent to Rescind, in Part, the Administrative Review**

On April 4, 2014, we received a timely filed no-shipment certification from Changzhou.<sup>21</sup> We have not received information to date from CBP to contradict this company's claim of no sales, shipments, or entries of subject merchandise to the United States during the POR. Because this company timely filed its no-shipment certification and CBP has not provided information to contradict the company's claim, we preliminarily intend to rescind the review of this company. Absent any evidence of shipments being placed on the record, pursuant to 19 CFR 351.213(d)(3), we intend to rescind the administrative review of this company in the final results of review.

## **Subsidies Valuation Information**

### **A. Allocation Period**

The average useful life (AUL) period in this proceeding, as described in 19 CFR 351.524(d)(2), is 10 years according to the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System, as revised.<sup>22</sup> No party in this proceeding claimed or established that the IRS tables do not reasonably reflect the company specific AUL, as provided in 19 CR 351.524(d)(2). Accordingly, we have measured subsidies from the beginning of the AUL, *i.e.*, January 1, 2003.

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

Our regulations at 351.525(b)(6)(i) state that we 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 the recipient and other companies if: (1) cross-ownership exists between the companies; and (2) the cross-owned companies produce the subject merchandise, are a holding or parent company of the subject company, produce an input that is primarily dedicated to the production of the downstream product, or transfer a subsidy to a cross-owned company.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This section of our 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 our regulations further clarifies our 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

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<sup>21</sup> See Letter from Changzhou, "Multilayered Wood Flooring from the People's Republic of China - No Sales Certification" (April 4, 2014).

<sup>22</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, publicly available at <http://www.irs.gov/publications/p946/ar02.html>.

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>23</sup>

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

The U.S. Court of International Trade (CIT) has upheld our 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>24</sup>

### 1. Fine Furniture

Fine Furniture was founded in 2000,<sup>25</sup> is a “productive” foreign-invested enterprise (FIE),<sup>26</sup> and responded on behalf of itself and affiliated parties, Great Wood (Tonghua) Limited (Great Wood) and FF Plantation (Shishou) Limited (FF Plantation) (collectively, the FF Companies). These companies are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of common ownership.<sup>27</sup> For Fine Furniture, we are attributing subsidies it received to its sales, in accordance with 19 CFR 351.525(b)(6).

Fine Furniture identified Great Wood as a supplier of kiln-dried lumber, cut-to-size lumber, and face veneer for furniture and flooring.<sup>28</sup> Because these products are primarily dedicated to the production of the downstream product, we are attributing subsidies received by Great Wood to the combined sales of the input and downstream products (excluding intercompany sales) produced by each company, respectively, in accordance with 19 CFR 351.525(b)(6)(iv).

Fine Furniture identified FF Plantation as a supplier of plywood cores to Fine Furniture for the production of wood flooring.<sup>29</sup> Because these products are primarily dedicated to the production of the downstream product, we are attributing subsidies received by FF Plantation to the combined sales of the input and downstream products (excluding intercompany sales) produced by each company, respectively, in accordance with 19 CFR 351.525(b)(6)(iv).

### *Entered Value Adjustment*

Fine Furniture reported that its U.S. affiliate, Double F Limited (Double F), issued invoices with a mark-up for Fine Furniture’s sales of subject merchandise to the United States.<sup>30</sup> Thus, Fine

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<sup>23</sup> See *Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998).

<sup>24</sup> See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

<sup>25</sup> See FFQR at 2.

<sup>26</sup> *Id.*, at 3.

<sup>27</sup> See FF Affiliation Response at 9.

<sup>28</sup> *Id.*, at 6 and FFQR at 3.

<sup>29</sup> *Id.*, at 8 and FFQR at 3.

<sup>30</sup> See FFQR at 16-17 and Exhibit 10.

Furniture has requested that we make an adjustment to the calculation of the subsidy rate to account for the mark-up between the export value from the PRC and the entered value of subject merchandise into the United States,<sup>31</sup> as we did in the *Investigation Final* and in the *First MLWF Review*.<sup>32</sup>

Citing the *Investigation Final* and the *First MLWF Review*, Fine Furniture states that the adjustment is appropriate because: 1) the U.S. invoice is issued through Fine Furniture's affiliate, Double F, and includes a mark-up from the invoice issued from Fine Furniture to Double F; 2) the exporter, Fine Furniture, and the party that invoices the customer, Double F, are affiliated; 3) the U.S. invoice establishes the customs value to which countervailing duties are applied; 4) there is a one-to-one correlation between the Double F invoice and the Fine Furniture invoice; 5) the merchandise is shipped directly to the United States; and 6) the invoices can be tracked as back-to-back invoices that are identical except for price.<sup>33</sup>

As indicated by Fine Furniture's reference to the *Investigation Final* and the *First MLWF Review*, the Department has adjusted the calculation of the subsidy rate when the sales value used to calculate that subsidy rate does not match the entered value of the merchandise, e.g., where subject merchandise is exported to the United States with a mark-up from an affiliated company, and where the respondent can demonstrate that the six criteria enumerated above are met. Because the information submitted by Fine Furniture supports its claim and the information also permits an accurate calculation of the adjustment, we have preliminarily made an adjustment to the entered value.<sup>34</sup>

## 2. Lizhong

Lizhong was founded in 2002 as a limited liability, domestically owned enterprise (DOE), and responded on behalf of itself and affiliate Linyi Youyou Wood Co., Ltd. (Youyou).<sup>35</sup> From its inception through the POR, Lizhong remained a DOE, shifting from an original ownership by nine individuals to an ownership by six individuals in 2012 through the end of the POR.<sup>36</sup> Youyou was established in 2009 as a DOE by two of the individuals with ownership in Lizhong.<sup>37</sup> As such, these companies are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of common ownership.<sup>38</sup>

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<sup>31</sup> *Id.*, at 17.

<sup>32</sup> See *Multilayered Wood Flooring From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 64313 (October 18, 2011) (*Investigation Final*), and accompanying Issues and Decision Memorandum (IDM), "B. Attribution of Subsidies" at 6-8. See also *Multilayered Wood Flooring From the People's Republic of China: Final Results and Partial Rescission of Countervailing Duty Administrative Review; 2011*, 79 FR 45178 (August 4, 2014) (*First MLWF Review*) at "B. Attribution of Subsidies" at 6-9.

<sup>33</sup> See FFQR at 16-17.

<sup>34</sup> Due to the proprietary nature of the adjusted values, see Memorandum to the File, "Preliminary Results Calculation Memorandum for Fine Furniture (Shanghai) Limited" dated concurrently with this memorandum (Fine Furniture Preliminary Calculation Memorandum).

<sup>35</sup> See LQR at 8.

<sup>36</sup> *Id.*, at 8-9 and Exhibit 2.1.

<sup>37</sup> *Id.*, at 9-10.

<sup>38</sup> See Lizhong Affiliation Response at 4.

Lizhong identified Youyou as a producer of wood products, such as veneer, core and unfinished multilayered wood flooring.<sup>39</sup> Because Lizhong and Youyou are both producers of the subject merchandise, we are attributing subsidies received by either Lizhong or Youyou to the combined sales of the two companies, in accordance with 19 CFR 351.525(b)(6)(ii).

### C. Loan Benchmarks and Discount Rates

The Department is examining non-recurring, allocable subsidies conferred on the respondents prior to the POR.<sup>40</sup> Due to the absence of countervailable loan programs or non-recurring allocable subsidies received during the POR, we have relied on the benchmark and discount rates used to value the subsidies at issue in the *First MLWF Review*,<sup>41</sup> as discussed below.<sup>42</sup>

#### 1. 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>43</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>44</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 explained in *CFS from the PRC*,<sup>45</sup> loans provided by Chinese banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market. Because of this, any loans received by the respondents from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). Similarly, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). 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.<sup>46</sup> There is no new information on the record of this review that would lead us to deviate from our prior determinations regarding government intervention in the PRC’s banking sector.

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<sup>39</sup> *Id.*, at 2 and LQR at 9.

<sup>40</sup> See 19 CFR 351.524(b)(1).

<sup>41</sup> See *First MLWF Review* and accompanying IDM, “C. Attribution of Subsidies” at 6-9.

<sup>42</sup> We note that this benchmark information was included in the FFISR at Exhibit CVD Supp-1.

<sup>43</sup> See 19 CFR 351.505(a)(3)(i).

<sup>44</sup> See 19 CFR 351.505(a)(3)(ii).

<sup>45</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*), and accompanying IDM at Comment 10.

<sup>46</sup> See, e.g., *Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products From Canada*, 67 FR 15545 (April 2, 2002), and accompanying IDM at “Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.”

We first developed in *CFS from the PRC*,<sup>47</sup> and then updated in *Thermal Paper from the PRC*,<sup>48</sup> the methodology used to calculate the external benchmark. 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. For 2001 through 2009, the PRC was in the lower-middle income category.<sup>49</sup> Beginning with 2010, however, the PRC is in the upper-middle income category.<sup>50</sup> Accordingly, as explained below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for the period 2001 through 2009, and the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010 and 2011. As explained in *CFS from the PRC*, by pooling countries in this manner, we capture the broad inverse relationship between income and interest rates.

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

In each year from 2001 through 2009, and 2011, the results of the regression-based analysis<sup>51</sup> reflected the intended, common sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates. For 2010, however, the regression does not yield that outcome for the PRC's income group. This contrary result for a single year does not lead the Department to reject the strength of governance as a determinant of interest rates. Therefore, we continue to rely on the regression-based analysis used since *CFS from the PRC* to compute the benchmarks for the years from 2001 through 2009, and 2011. 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 and 2011, and "lower middle income" for 2001 through 2009. First, we did not include those economies that the Department considered to be NMEs for antidumping duty (AD) 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

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<sup>47</sup> See *CFS from the PRC*, and accompanying IDM at Comment 10.

<sup>48</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, "Benchmarks and Discount Rates" at 8-10.

<sup>49</sup> See World Bank Country Classification, <http://econ.worldbank.org/>. See *First MLWF Review* and accompanying IDM, "C. Attribution of Subsidies" at 6-9.

<sup>50</sup> *Id.*

<sup>51</sup> See *First MLWF Review* and accompanying IDM, "C. Attribution of Subsidies" at 6-9.

lending rate on foreign-currency denominated instruments.<sup>52</sup> Finally, for each year for which 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>53</sup> Because these rates are net of inflation, we adjusted the benchmark rates to include an inflation component before comparing them to the interest rates on loans issued by state-owned commercial banks.<sup>54</sup>

## 2. 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>55</sup>

In *Citric Acid Investigation*, this methodology was revised by switching from a long-term mark-up based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where 'n' equals or approximates the number of years of the term of the loan in question.<sup>56</sup> Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.<sup>57</sup>

## 3. Discount Rates

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used as the discount rate the long-term interest rate calculated according to the methodology described above for the year in which the non-recurring subsidy was approved by the government.<sup>58</sup>

## Analysis of Programs

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

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<sup>52</sup> For example, in certain years Jordan reported a deposit rate, not a lending rate, and Ecuador and Timor L'Este reported dollar-denominated rates; therefore, such rates have been excluded.

<sup>53</sup> For example, we excluded Brazil from the 2010 and 2011 benchmarks because the country's real interest rate was 34.95 percent and 37.25 percent, respectively, which were aberrantly high. See *First MLWF Review* and accompanying IDM, "C. Attribution of Subsidies" at 6-9.

<sup>54</sup> See *First MLWF Review* and accompanying IDM, "C. Attribution of Subsidies" at 6-9.

<sup>55</sup> See, e.g., *Light-Walled Rectangular Pipe and Tube From People's Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 FR 35642 (June 24, 2008), and accompanying IDM, "Discount Rates" at 8.

<sup>56</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 Investigation*), and accompanying IDM at Comment 14.

<sup>57</sup> See *First MLWF Review* and accompanying IDM, "C. Attribution of Subsidies" at 6-9.

<sup>58</sup> *Id.*

## **I. Programs Preliminarily Found To Be Countervailable**

### **A. Income Tax Subsidies for Foreign-Invested Enterprises Based on Geographic Location**

In the *Investigation Final* and *First MLWF Review*, we found that this program conferred a countervailable subsidy.<sup>59</sup> Because no new information has been provided on the record of this review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the reduced income tax rate paid by FIEs under this program confers a countervailable subsidy. The reduced income tax rate is a financial contribution in the form of revenue forgone by the GOC, and it provides a benefit to the recipient in the amount of the tax savings.<sup>60</sup> We further find that the reduction afforded by this program is limited to enterprises located in designated geographic regions and, hence, it is specific under section 771(5A)(D)(iv) of the Act.

Fine Furniture reported using this program during the POR.<sup>61</sup> To calculate the benefit, we treated the income tax savings enjoyed by Fine Furniture during the POR as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To compute the benefit, *i.e.*, the amount of the tax savings, we compared the income tax Fine Furniture would have paid in the absence of the program (at the normal 25 percent tax rate) with the tax the company paid at the tax rate applicable to the company for the tax return filed during the POR (24 percent). To calculate the countervailable subsidy, we divided the benefits received by Fine Furniture in the POR by its sales during the POR, in accordance with 19 CFR 351.525(b)(6)(i). Neither Great Wood nor FF Plantation are located in this region, and, therefore, were not eligible for this preferential tax rate.

On this basis, we preliminary find that the FF Companies received a countervailable subsidy of 0.05 percent *ad valorem* under this program during the POR.<sup>62</sup>

### **B. Two Free, Three Half Program**

In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.<sup>63</sup> Because no new information has been provided on the record of this review that would cause the Department to reach a different determination from the *Investigation Final*, we preliminarily find that the exemption or reduction of the income tax paid by FIEs under this program confers a countervailable subsidy. The exemption/reduction is a financial contribution in the form of revenue forgone by the GOC, and it provides a benefit to the recipient in the amount of the tax savings, as described in section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also preliminarily find that the exemption/reduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.*, FIEs and, hence, is specific under section 771(5A)(D)(i) of the Act.<sup>64</sup>

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<sup>59</sup> See *Investigation Final* and accompanying IDM, “Income Tax Subsidies for FIEs Based on Geographic Location” at 11; see also *First MLWF Review* and accompanying IDM, “Income Tax Subsidies for Foreign-Invested Enterprises Based on Geographic Location” at 11-12.

<sup>60</sup> See section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1).

<sup>61</sup> See FFQR at 13-14 and Exhibits 8a and 8b; see also FFISR at 15 and Exhibit 2.

<sup>62</sup> See Fine Furniture Preliminary Calculation Memorandum.

<sup>63</sup> See *Investigation Final* and accompanying IDM, “Two Free, Three Half Program” at 12.

<sup>64</sup> See *CFS from the PRC* and accompanying IDM at Comment 14.

Fine Furniture reported that Great Wood used this program during the POR.<sup>65</sup> Great Wood was in a year of half (*i.e.*, 12.5 percent) tax reduction during 2011.<sup>66</sup> To calculate the benefit, we treated the income tax savings enjoyed by Great Wood during the POR as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To compute the amount of the tax savings, we compared the income tax that Great Wood would have paid in the absence of the program (*i.e.*, at the rate of 25 percent) with the income tax the company actually paid during the POR (*i.e.*, at the rate of 12.5 percent). We divided the benefits received by Great Wood in the POR by the combined sales of Fine Furniture and Great Wood, less intercompany sales, in accordance with 19 CFR 351.525(b)(6)(iv).

On this basis, we preliminarily find that the FF Companies received a countervailable subsidy of 0.04 percent *ad valorem* under this program.<sup>67</sup>

C. GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands

In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.<sup>68</sup> Because no new information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the grants provided under this program confer a countervailable subsidy. Specifically, we find the grants to be a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, and that they provide a benefit in the amount of the grants.<sup>69</sup> Further, we find the grants to be specific under section 771(5A)(B) of the Act because receipt of the grants is contingent upon export performance. Lizhong reported using this program in 2009 and 2012.<sup>70</sup>

To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants.<sup>71</sup> Treating the year of receipt as the year of approval, we applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2). The 2009 and 2012 grant amounts were less than 0.5 percent of Lizhong’s 2009 and 2012 export sales, respectively. Thus, in accordance with 19 CFR 351.524(b)(2), we expensed the entire amount of the grants in the year of receipt. We attributed the 2012 benefits to Lizhong’s export sales in 2012. On this basis, we preliminarily determine that Lizhong received a countervailable subsidy of 0.13 percent *ad valorem* under this program.<sup>72</sup>

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<sup>65</sup> See FFQR at 9-11 and Exhibit 7b. The benefits Great Wood received in 2011 were received during the POR because its 2011 tax return was filed during 2012.

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

<sup>67</sup> See Fine Furniture Preliminary Calculation Memorandum.

<sup>68</sup> See *Investigation Final* and accompanying IDM, “GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands” at 16-17.

<sup>69</sup> See 19 CFR 351.504(a).

<sup>70</sup> See LQR at 17-21.

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

<sup>72</sup> See Memorandum to the File, “Preliminary Results Calculation Memorandum for The Lizhong Wood Industry Limited Company of Shanghai (Lizhong) (also known as, “Shanghai Lizhong Wood Products Co., Ltd.)” dated concurrently with memorandum (Lizhong Preliminary Calculation Memorandum).

#### D. Value Added Tax (VAT) and Tariff Exemptions on Imported Equipment

In the *Investigation Final* and *First MLWF Review*, we found that this program conferred a countervailable subsidy.<sup>73</sup> Because no new information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that VAT and tariff exemptions on imported equipment under this program confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue forgone by the GOC, and they provide a benefit to the recipients in the amount of the VAT and tariff savings.<sup>74</sup> We further find the VAT and tariff exemptions under this 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 with government-approved projects.<sup>75</sup>

Fine Furniture and Great Wood reported using this program in the *Investigation Final* and *First MLWF Review*, but reported receiving no additional assistance under this program during the POR.<sup>76</sup>

We normally treat exemptions from indirect taxes and import charges, such as the VAT and tariff exemptions, as recurring benefits, consistent with 19 CFR 351.524(c)(1), and expense these benefits in the year in which they were received.<sup>77</sup> However, when an indirect tax or import charge exemption is provided for, or tied to, the capital structure or capital assets of a firm, the Department may treat it as a non-recurring benefit and allocate the benefit to the firm over the AUL.<sup>78</sup> Because these VAT and tariff exemptions were received for capital equipment, we have applied the allocation rules described in 19 CFR 351.524(b), as explained below.

For Fine Furniture and Great Wood, we applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2), for each of the years in which exemptions were reported (treating the year of receipt as the year of approval). For the years in which the amount of VAT and tariff exemptions was less than 0.5 percent of the appropriate sales value, we expensed the exempted amounts in the year of receipt, consistent with 19 CFR 351.524(b)(2). For those years in which the VAT and tariff exemptions were equal to or greater than 0.5 percent of the appropriate sales value, we allocated the benefit over the AUL, consistent with 19 CFR 351.524(b)(1). We used the discount rate described above in the “Discount Rates” section to calculate the benefit for the POR.

To calculate the countervailable subsidy for the VAT and tariff exemptions received by Fine Furniture, we divided the benefits received in or allocated to the POR by its sales during the POR, in accordance with 19 CFR 351.525(b)(6)(i). For Great Wood, all of its VAT and tariff exemptions were less than 0.5 percent of the appropriate sales value, and were thus expensed in the year of receipt, consistent with 19 CFR 351.524(b)(2).

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<sup>73</sup> See *Investigation Final* and accompanying IDM, “VAT and Tariff Exemptions on Imported Equipment” at 12-13; see also *First MLWF Review* and accompanying IDM, “Value Added Tax (VAT) and Tariff Exemptions on Imported Equipment” at 12-13.

<sup>74</sup> See section 771(5)(D)(ii) of the Act and 19 CFR 351.510(a)(1).

<sup>75</sup> See *CFS from the PRC* and accompanying IDM at Comment 16.

<sup>76</sup> See FFQR at 11.

<sup>77</sup> See, *e.g.*, *Investigation Final* and accompanying IDM at 13.

<sup>78</sup> See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(2).

On this basis, we preliminarily find that the FF Companies received a countervailable subsidy of 0.30 percent *ad valorem* during the POR.<sup>79</sup>

E. Provision of Electricity for Less than Adequate Remuneration (LTAR)

In the underlying investigation, the petition contained information indicating that the GOC provided electricity for LTAR and that the subsidy was regionally specific, pursuant to section 771(5A)(D)(iv) of the Act.<sup>80</sup> It was on this basis that we initiated our investigation of this subsidy program.<sup>81</sup> In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.<sup>82</sup> Specifically, we found that the GOC did not provide the requested original price proposals for 2006 and 2008 for each province in which a mandatory respondent or any reported “cross-owned” company was located, and that because the requested price proposals are part of the GOC’s electricity price adjustment process, the documents were necessary for the Department’s analysis of the program.<sup>83</sup> Therefore, as adverse facts available (AFA), pursuant to sections 776(a) and (b) of the Act, we determined that the GOC’s provision of electricity constituted a financial contribution within the meaning of section 771(5)(D) of the Act and was specific within the meaning of section 771(5A) of the Act.<sup>84</sup>

In the *First MLWF Review*, no new information was presented to warrant re-considering that finding and, thus, we again found that the GOC’s provision of electricity was a financial contribution within the meaning of section 771(5)(D) of the Act.<sup>85</sup> No new information has been provided on the record of this review that warrants re-considering the determination from the *Investigation Final* or the *First MLWF Review*.<sup>86</sup> Therefore, we preliminarily find that the GOC’s provision of electricity is a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act.

With respect to the specificity of the subsidy, the information in the investigation record pertained to the regional specificity of this program.<sup>87</sup> This is consistent with our determination in *Wire Strand from the PRC*,<sup>88</sup> that this subsidy program is regionally specific “within the

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<sup>79</sup> See Fine Furniture Preliminary Calculation Memorandum.

<sup>80</sup> See *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

<sup>81</sup> See *Multilayered Wood Flooring from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 75 FR 70719 (November 18, 2010) (*Initiation Notice*); see also *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

<sup>82</sup> See *Investigation Final* and accompanying IDM, “GOC – Electricity” at 2-3, and “Provision of Electricity for LTAR” at 13-14.

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

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

<sup>85</sup> See *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

<sup>86</sup> See GQR at 15-22 and G1SR at 1.

<sup>87</sup> See *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

<sup>88</sup> See *Pre-Stressed Concrete Steel Wire Strand from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010) (*Wire Strand from the PRC*), and accompanying IDM at “Federal Provision of Electricity for LTAR” at 9.

meaning of” section “771(5A)(D)(iv) of the Act.”<sup>89</sup> Accordingly, consistent with the facts available on the record of the underlying investigation, the *Investigation Final*, the *First MLWF Review*, and our determination in *Wire Strand from the PRC*, we preliminarily determine that the GOC’s provision of electricity is “limited to an enterprise or industry located within a designated geographical region within the jurisdiction of the authority providing the subsidy,” in accordance with section 771(5A)(D)(iv) of the Act.

To determine the existence and the amount of any benefit under this program pursuant to section 771(5)(E)(iv) of the Act and 19 CFR 351.511, we relied on the companies’ reported consumption volumes and rates paid.<sup>90</sup> To calculate the electricity benchmark, in accordance with 19 CFR 351.511(a)(2), we selected the highest non-seasonal provincial rates in the PRC for each user category (e.g., “large industry,” “general industry and commerce,” *et cetera*) and voltage class of the respondents (e.g., 1-10 kilovolts (kv)), as well as the respondents’ “base charge” (maximum demand and/or transformer capacity). We then compared what the respondents paid for electricity during the POR to what they would have paid at the benchmark prices.<sup>91</sup> Based on this comparison, we preliminarily find that electricity was provided for LTAR.

On this basis, we preliminarily find that the FF Companies received a countervailable subsidy of 0.60 percent *ad valorem*, and Lizhong received a countervailable subsidy of 0.77 percent *ad valorem* under this program during the POR.<sup>92</sup>

#### F. Minhang District Pujiang Town Enterprise Support

In the *First MLWF Review*, we found that this program conferred a countervailable subsidy.<sup>93</sup> Because no new information has been provided on the record of this review that would cause us to reach a different determination from the *First MLWF Review*, we preliminarily find that grants under this program confer a countervailable subsidy. The exemptions are a financial contribution in the form of a direct transfer of funds under section 771(5)(D)(i) of the Act, confer a benefit pursuant to 19 CFR 351.504, and are specific under section 771(5A)(D)(i) of the Act because, as reported by the GOC, it is limited to enterprises engaged in industrial business that have paid above a minimum level of tax.<sup>94</sup>

Lizhong reported receiving funds under this program in the *First MLWF Review* and reported that it had received additional assistance under this program during the POR.<sup>95</sup>

To calculate the countervailable benefit, we treated the year of receipt as the year of approval, and applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2). The grants received in

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<sup>89</sup> *Id.*, at 9 and Comment L “Federal Provision of Electricity for LTAR” at 33.

<sup>90</sup> For the FF Companies, see FFQR at 13-14 and Exhibits 8-9; see also FFISR at 15. For Lizhong, see LQR at 22-25 and Exhibits 10-11; see also LISR at Exhibit 17.

<sup>91</sup> These benchmarks were derived from the GQR at Exhibit 4. See Fine Furniture Preliminary Calculation Memorandum and Lizhong Preliminary Calculation Memorandum for detailed description of the benchmarks employed.

<sup>92</sup> See Fine Furniture Preliminary Calculation Memorandum and Lizhong Preliminary Calculation Memorandum.

<sup>93</sup> See *First MLWF Review* and accompanying IDM, “Minhang District Pujiang Town Enterprise Support” at 16.

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

<sup>95</sup> See LQR at 25, 27-28, and Exhibit 12.

each year, including the POR, were less than 0.5 percent of Lizhong's respective yearly total sales. Thus, in accordance with 19 CFR 351.524(b)(2), we expensed the entire amount of the grants to the year of receipt. We attributed the 2012 benefits to Lizhong's total sales in 2012. On this basis, we preliminarily find that Lizhong received a countervailable subsidy of 0.05 percent *ad valorem* under this program during 2012.<sup>96</sup>

## **II. Programs For Which More Information is Required**

### **A. Support for Developing a National Technology Standard**

Lizhong reported receiving one-time assistance under this program in the form of a "stipend" for its participation in drafting the national quality standard for "Outdoors Anticorrosive Wood Floor."<sup>97</sup> Based on Lizhong's response in the LQR, we have requested additional information from the GOC regarding this program in the second supplemental questionnaire. We intend to analyze this program in a post-preliminary analysis.

### **B. Tax Deductions under Article 96 of the Enterprise Income Tax Law**

Fine Furniture reported that under Article 96 of the *Enterprise Income Tax Law*, the expenses incurred for the employment of disabled employees are deductible at 200 percent of the actual amount incurred by the enterprise.<sup>98</sup> Fine Furniture reported receiving a deduction under this program in its income tax return filed during the POR.<sup>99</sup>

Based on Fine Furniture's response in the FFISR, we have requested additional information from the GOC regarding this program in the second supplemental questionnaire. We intend to analyze this program in a post-preliminary analysis.

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

- A. Certification of National Inspection-Free on Products and Reputation of Well Known Firm – Jiashan County
- B. International Market Development Fund Grants for Small and Medium Enterprises
- C. Local Income Tax Exemption and Reductions for "Productive" FIEs
- D. Provision of Electricity at LTAR for FIEs and "Technologically Advanced" Enterprises by Jiangsu Province
- E. Minhang District Little Giant Enterprise Support
- F. Technology Innovation Support

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<sup>96</sup> See Lizhong Preliminary Calculation Memorandum. We note that Lizhong's assistance under this program in years prior to the POR accounted for less than 0.5 percent of the appropriate sales value, and was thus expensed in the year of receipt, consistent with 19 CFR 351.524(b)(2).

<sup>97</sup> See LQR at 36-38.

<sup>98</sup> See FFISR at 12.

<sup>99</sup> *Id.*

**Recommendation**

We recommend applying the above methodology for these preliminary results.

✓  
Agree

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Disagree

Paul Piquado  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

30 DECEMBER 2014  
(Date)