



C-570-021
Investigation
Public Document
E&C AD/CVD OIII: EQW, AMM

April 13, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for Preliminary Determination of
Countervailing Duty Investigation: Melamine from the People's
Republic of China

I. SUMMARY

The Department of Commerce (“Department”) preliminarily determines that countervailable subsidies are being provided to producers and exporters of melamine in the People’s Republic of China (“PRC”), as provided in section 703 of the Tariff Act of 1930, as amended (“the Act”).

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

II. BACKGROUND

A. Initiation and Case History

On November 12, 2014, Cornerstone Chemical Company (“Petitioner”) filed a petition with the Department seeking the imposition of antidumping and countervailing duties (“CVD”) on melamine from the PRC.¹ Supplements to the Petition and our consultations with the Government of the PRC (“GOC”) are described in the Initiation Checklist.² On December 9, 2014, the Department published a notice of initiation for this CVD investigation on melamine from the PRC.³

¹ See Letter from Petitioner, “Petitions for the Imposition of Antidumping And Countervailing Duties on Imports of Melamine from China and Trinidad And Tobago,” dated November 12, 2014 (hereinafter “Petition” refers to the countervailing duty investigation on melamine from the PRC).

² See “Initiation Checklist: Melamine from the People’s Republic of China” (December 2, 2014) (“Initiation Checklist”).

³ See *Melamine from the People’s Republic of China and Trinidad and Tobago: Initiation of Countervailing Duty Investigations*, 79 FR 73030 (December 9, 2014) (hereinafter “CVD Initiation” refers to the CVD investigation on melamine from the PRC).

The Department stated in the *CVD Initiation* that we intended to select respondents based on data obtained from U.S. Customs and Border Protection (“CBP”).⁴ On December 4, 2014, we released the CBP entry data for comment under administrative protective order (“APO”) for certain Harmonized Tariff Schedule of the United States (“HTSUS”) subheadings included in the scope of the *CVD Initiation* and invited comments on these data.⁵ We received comments from Petitioner on December 15, 2014.⁶

On January 2, 2015, the Department selected Zhongyuan Dahua Group Co., Ltd. (“Zhongyuan Dahua”) and Far-Reaching Chemical Co., Ltd. (“Far-Reaching Chemical”) for individual examination, *i.e.*, as mandatory company respondents.⁷ On January 5, 2015, the Department issued initial CVD questionnaires to the GOC, Far-Reaching Chemical and Zhongyuan Dahua.⁸ On January 6, 2015, Zhongyuan Dahua withdrew from participation as a mandatory respondent in this investigation.⁹

On January 7, 2015, the Department selected Qingdao Unichem International Trade Co., Ltd. (“Qingdao Unichem”), the next largest producer and/or exporter of melamine to the United States during the POI, as an additional mandatory respondent and informed the GOC of the addition of Qingdao Unichem as a respondent.¹⁰

When neither of the mandatory respondents submitted a response or requested an extension of time by the January 20, 2015, deadline to respond to the affiliation questions, the Department selected M and A Chemicals Corp China (“M&A Chemicals”) and Shandong Liaherd Chemical Industry Co., Ltd. (“Shandong Liaherd”), the next two largest producers and/or exporters as additional mandatory respondents.¹¹ On January 26, 2015, the Department issued a revised CVD

⁴ See *CVD Initiation*, 79 FR at 73033.

⁵ See the Department’s letter to all interested parties entitled “Countervailing Duty Investigation of Melamine from the People’s Republic of China: U.S. Customs and Border Protection Import Data for Use in Respondent Selection,” dated December 4, 2014.

⁶ See Letter from Petitioner, “Melamine From The People’s Republic of China: Petitioner’s Comments On Respondent Selection,” dated December 15, 2015.

⁷ See the Department’s memorandum entitled “Selection of Respondents for the Countervailing Duty Investigation on Melamine from the People’s Republic of China,” dated January 2, 2015 (“Initial Respondent Selection Memo”).

⁸ See Letter to the GOC entitled “Countervailing Duty Investigation of Melamine from the People’s Republic of China: Countervailing Duty Questionnaire,” dated January 5, 2015. Consistent with the Department’s practice, we asked the GOC to forward the questionnaires to the mandatory respondents identified in the letter. See, *e.g.*, *Certain Magnesia Carbon Bricks From the People’s Republic of China: Final Results and Final Rescission, in Part, of Countervailing Duty Administrative Review*; 2012, 79 FR 62101 (October 16, 2014), and accompanying Issues and Decision Memorandum (“IDM”) at 3.

⁹ See Letter from Zhongyuan Dahua entitled “Melamine from the People’s Republic of China-Withdrawal from Participation as a Mandatory Respondent, Zhongyuan Dahua Group Co., Ltd.,” dated January 6, 2015 (“Zhongyuan Dahua Withdrawal Letter”).

¹⁰ See the Department’s memorandum entitled “Selection of Second Respondent for the Countervailing Duty Investigation on Melamine from the People’s Republic of China,” dated January 20, 2015 (“Second Respondent Selection Memo”). See also Letter to the GOC entitled “Countervailing Duty Investigation of Melamine from the People’s Republic of China: Selection of Additional Respondent,” dated January 7, 2015.

¹¹ See the Department’s memorandum entitled “Selection of Additional Mandatory Respondents for the Countervailing Duty Investigation on Melamine from the People’s Republic of China,” dated January 26, 2015 (“Third Respondent Selection Memo”).

questionnaire to the GOC, naming M&A Chemicals and Shandong Liaherd as additional mandatory respondents in this investigation.¹²

On January 20, 2015, Sichuan Golden-Elephant Sincerity Chemical Co., Ltd. (“Sichuan Golden-Elephant”), a Chinese producer and exporter to the United States of melamine, requested voluntary respondent treatment and filed a timely affiliation questionnaire response; however, on February 6, 2015, Sichuan Golden-Elephant withdrew the request and did not file a complete questionnaire response. On February 9, 2015, Allied Chemicals, Inc. (“Allied Chemicals”), filed a request to be a voluntary respondent and a voluntary affiliation questionnaire response, both of which we rejected from the record as untimely.¹³

We did not receive a response to our initial CVD questionnaire from the GOC; nor did we receive a response from any of the five selected mandatory respondents.

On January 27, 2015, Petitioner submitted 16 new subsidy allegations, which we determined to include in this investigation.¹⁴

III. SCOPE COMMENTS

In accordance with the preamble to the Department’s regulations, we set aside a period of time in our *CVD Initiation* for parties to raise issues regarding product coverage, and encouraged all parties to submit comments within 20 calendar days of publication of that notice.¹⁵ We did not receive any comments on the scope of the investigation.

IV. SCOPE OF THE INVESTIGATION

The merchandise subject to this investigation is melamine (Chemical Abstracts Service (“CAS”) registry number 108-78-01, molecular formula C₃H₆N₆).¹⁶ Melamine is a crystalline powder or granule typically (but not exclusively) used to manufacture melamine formaldehyde resins. All melamine is covered by the scope of this investigation irrespective of purity, particle size, or physical form. Melamine that has been blended with other products is included within this scope when such blends include constituent parts that have been intermingled, but that have not been chemically reacted with each other to produce a different product. For such blends, only the melamine component of the mixture is covered by the scope of this investigation. Melamine that is otherwise subject to this investigation is not excluded when commingled with melamine from

¹² See Letter to the GOC entitled “Countervailing Duty Investigation of Melamine from the People’s Republic of China: Selection of Additional Respondent and Updated Countervailing Duty Questionnaire,” dated January 26, 2015.

¹³ See the Department’s memorandum entitled “Reject and Deleting Documents from Access,” dated February 20, 2015.

¹⁴ See the Department’s memorandum entitled “Countervailing Duty Investigation on Melamine from the People’s Republic of China: January 27, 2015 New Subsidy Allegations,” dated March 25, 2015 (“New Subsidy Allegations”).

¹⁵ See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997); see also *CVD Initiation*, 79 FR at 73031.

¹⁶ Melamine is also known as 2,4,6-triamino-s-triazine; 1,3,5-Triazine-2,4,6-triamine; Cyanurotriamide; Cyanurotriamine; Cyanuramide; and by various brand names.

sources not subject to this investigation. Only the subject component of such commingled products is covered by the scope of this investigation.

The subject merchandise is provided for in subheading 2933.61.0000 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Although the HTSUS subheading and CAS registry number are provided for convenience and customs purposes, the written description of the scope is dispositive.

V. RESPONDENT SELECTION

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

On January 2, 2015, the Department determined that it was not practicable to examine all known producers/exporters of melamine in the PRC as identified in the Petition and CBP data and limited its examination in the instant investigation to two respondents accounting for the largest volume of melamine exported from the PRC during the POI: Zhongyuan Dahua and Far-Reaching Chemical.¹⁷ As noted above, the Department selected three additional mandatory respondents— Qingdao Unichem, M&A Chemicals and Shangdong Liaherd—after the previously selected mandatory respondents either withdrew their participation from the investigation or failed to respond to the affiliation questions in the initial questionnaire by the designated deadline.¹⁸

VI. VOLUNTARY RESPONDENT TREATMENT

Section 782(a) of the Act directs the Department to calculate individual weighted-average dumping margins for companies not initially selected for individual examination who voluntarily provide the information requested of the mandatory respondents if (1) the information is submitted by the due date specified for exporters or producers initially selected for examination and (2) the number of companies that have voluntarily provided such information is not so large that individual examination would be unduly burdensome and inhibit the timely completion of the investigation.

As noted above, Sichuan Golden-Elephant requested voluntary respondent treatment and filed a timely affiliation questionnaire response, but timely withdrew its voluntary respondent request from the investigation and did not file a complete response. Additionally, Allied Chemicals untimely filed a request to be a voluntary respondent and a voluntary affiliation questionnaire response, both of which were rejected from the record. Therefore, we have no eligible requests for treatment as voluntary respondents.

¹⁷ See Initial Respondent Selection Memo.

¹⁸ See Second Respondent Selection Memo and Third Respondent Selection Memo.

VII. INJURY TEST

Because the PRC is a “Subsidies Agreement Country” within the meaning of section 701(b) of the Act, the U.S. International Trade Commission (“ITC”) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry. On January 7, 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 melamine from the PRC.¹⁹

VIII. APPLICATION OF THE COUNTERVAILING DUTY LAW TO IMPORTS FROM THE PRC

On October 25, 2007, the Department published its final determination on coated free sheet paper from the PRC.²⁰ In *CFS Paper Investigation*, the Department found that

... given the substantial difference between the Soviet-style economies and China’s economy in recent years, the Department’s previous decision not to apply the CVD law to these Soviet-style economies does not act as {a} bar to proceeding with a CVD investigation involving products from the PRC.²¹

The Department has affirmed its decision to apply the CVD law to the PRC in numerous subsequent determinations.²² Furthermore, on March 13, 2012, Public Law 112-99 was enacted which confirms that the Department has the authority to apply the CVD law to non-market economies such as the PRC.²³ The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.²⁴

Additionally, for the reasons stated in *CWP*,²⁵ we are using the date of December 11, 2001, the date on which the PRC became a member of the WTO, as the date from which the Department will identify and measure subsidies in the PRC for purposes of this investigation.

IX. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

Sections 776(a)(1) and (2) of the Act provide that the Department shall, subject to section 782(d) of the Act, apply “facts otherwise available” if necessary information is not on the record or if an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly

¹⁹ See *Investigation Nos. 701-TA-526-527 and 731-TA-1262-1263(Preliminary) Melamine From China and Trinidad and Tobago; Determinations*, 80 FR 518 (January 6, 2015).

²⁰ See *Coated Free Sheet Paper From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (“*CFS Paper Investigation*”), and accompanying IDM.

²¹ See *CFS Paper Investigation* and accompanying IDM at Comment 6.

²² See, e.g., *Circular Welded Carbon Quality Steel Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008) (“*CWP*”), and accompanying IDM at Comment 1.

²³ Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

²⁴ See Public Law 112-99, 126 Stat. 265§ 1(b).

²⁵ See *CWP*, and accompanying IDM at Comment 2.

impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information.

As discussed above, the GOC, Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, M&A Chemical, and Shandong Liaherd all failed to respond to the Department's CVD questionnaire, thereby withholding necessary information requested by the Department, and all have refused to participate in this investigation, thus significantly impeding the investigation.²⁶ Therefore, in accordance with sections 776(a)(2)(A) and (C) of the Act, we are relying on facts otherwise available in this preliminary determination.

Further, in selecting from among the facts available, we find that an adverse inference is warranted, pursuant to section 776(b) of the Act. By refusing to participate and to submit a response to the Department's CVD questionnaire, Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, M&A Chemical, Shandong Liaherd, and the GOC have all failed to cooperate by not acting to the best of their ability to comply with the Department's requests for necessary information in this investigation. Consequently, this preliminary determination is based on total adverse facts available ("AFA").

A. Selection of the Adverse Facts Available Rate

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1) authorize the Department to rely on information derived from (1) the petition, (2) a final determination in the investigation, (3) any previous review or determination, or (4) any information placed on the record. The Department's practice when selecting an adverse rate from among the possible sources of information is to ensure that the result is sufficiently adverse "as to effectuate the statutory purposes of the AFA rule to induce respondents to provide the Department with complete and accurate information in a timely manner."²⁷ The Department's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."²⁸

²⁶ See Letter to the GOC entitled "Countervailing Duty Investigation of Melamine from the People's Republic of China: Countervailing Duty Questionnaire," dated January 5, 2015; See also Letter to the GOC entitled "Countervailing Duty Investigation of Melamine from the People's Republic of China: Selection of Additional Respondent," dated January 7, 2015; See Letter to the GOC entitled "Countervailing Duty Investigation of Melamine from the People's Republic of China: Selection of Additional Respondent and Updated Countervailing Duty Questionnaire," dated January 26, 2015.

²⁷ See, e.g., *Certain Frozen Warmwater Shrimp From Ecuador: Final Affirmative Countervailing Duty Determination*, 78 FR 50389 (August 19, 2013), and accompanying IDM, at Section IV, "Use of Facts Otherwise Available and Adverse Inferences"; see also *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

²⁸ See Statement of Administrative Action ("SAA") accompanying the Uruguay Round Agreements Act (URAA), H. Doc. 316, 103d Cong. 2d Session at 870 (1994).

In this investigation, the Department is examining the programs on which we originally initiated the investigation, as well as the programs newly alleged by Petitioner on January 27, 2015, which the Department subsequently included in this investigation, as described in Attachments 1 and 2.²⁹ Because Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, M&A Chemical, Shandong Liaherd, and the GOC failed to act to the best of their ability in this investigation, as discussed above, we are making an adverse inference that each of these programs provides a financial contribution within the meaning of section 771(5)(D) of the Act, is specific in accordance with section 771(5A) of the Act, and confers a benefit in accordance with section 771(5)(E) of the Act.

Furthermore, Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, and M&A Chemical did not respond to our initial questionnaire seeking information regarding 21 programs generally applicable to all four mandatory respondents. Accordingly, we are applying AFA rates for these programs to all the mandatory respondents. When we selected Shandong Liaherd in the Third Respondent Selection Memo, we updated our questionnaire to include additional grant programs applicable only to Shandong Liaherd as company-specific subsidies.³⁰ Accordingly, we are applying AFA rates for these grants that are only applicable to Shandong Liaherd.³¹ In the Initiation Checklist, we also listed other government grants alleged as company-specific subsidies to three other potential respondents, stating that we would only examine those grant programs if those particular companies were selected as respondents.³² Accordingly, because those companies were not selected as respondents, we are not applying AFA rates for those particular alleged grants. We are also applying AFA rates for the 16 subsidies contained in the New Subsidy Allegation because we determine that all of these subsidies could potentially be available to any melamine producer, either on a *de jure* or *de facto* basis.

It is the Department's practice in a CVD investigation to select, as AFA, the highest calculated rate for the same or similar program.³³ When selecting rates, we first determine if there is an identical program in the investigation with a rate above *de minimis* (or if none in the investigation, we look for the identical program with an above *de minimis* rate in previous cases from the same country), and take the highest calculated rate for the identical program.³⁴ If there

²⁹ See Attachments 1 and 2 to this Preliminary Decision Memorandum entitled "Description of Programs Contained In The Petition" and "Description of Programs Contained in Petitioner's New Subsidy Allegations," respectively.

³⁰ See Letter to the GOC entitled "Countervailing Duty Investigation of Melamine from the People's Republic of China: Selection of Additional Respondent and Updated Countervailing Duty Questionnaire," dated January 26, 2015.

³¹ We note that these direct grants are only applicable to Shandong Liaherd based upon information contained in Shandong's Liaherd's financial statements; see the Initiation Checklist.

³² See the Initiation Checklist.

³³ See, e.g., *Laminated Woven Sacks From the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination, in Part, of Critical Circumstances*, 73 FR 35639 (June 24, 2008), and accompanying IDM at "Selection of the Adverse Facts Available;" *Aluminum Extrusions From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011), and accompanying IDM ("Aluminum Extrusions Investigation") at "Application of Adverse Inferences: Non-Cooperative Companies;" and *Galvanized Steel Wire From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 17418 (March 26, 2012) ("*Steel Wire Investigation*"), and accompanying IDM at "Use of Facts Otherwise Available and Adverse Inferences."

³⁴ See, e.g., *Aluminum Extrusions From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2010 and 2011*, 79 FR 106 (January 2, 2014) ("*Aluminum Extrusions 2010-2011 Review*"), and accompanying IDM at 8-9.

is no identical program, we then determine if there is a similar/comparable program (based on treatment of the benefit) in any proceeding from that country and apply the highest calculated rate for a similar/comparable program.³⁵ Where there is no comparable program, we apply the highest calculated rate from any non-company specific program but do not use a rate from a program if the industry in the proceeding cannot use that program.³⁶

To calculate the program rate for the alleged income tax program pertaining to either the reduction of income tax paid or the payment of no income tax, we applied an adverse inference that Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, M&A Chemical, and Shandong Liaherd paid no income tax during the POI. The standard income tax rate for corporations in the PRC in effect during the POI was 25 percent.³⁷ Thus, the highest possible benefit to each respondent for these income tax programs is 25 percent. Accordingly, we are applying 25 percent as the AFA rate. Consistent with past practice, the 25 percent AFA rate does not apply to the income tax credit and rebate, accelerated depreciation, or import tariff and value add tax (“VAT”) exemption programs because such programs may not affect the tax rate.³⁸

For all programs other than those involving income tax rate reduction or exemptions, we are applying, where available, the highest subsidy rate calculated for the same or similar program in a PRC CVD investigation or administrative review. For this preliminary determination, based on program name, descriptions, and treatment of the benefit, we are able to match the following programs to the same programs from other PRC CVD proceedings:

- Provision of Electricity for LTAR³⁹

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

- Policy Loans⁴⁰
- Preferential Export Financing from the Export-Import Bank of China⁴¹

³⁵ *Id.*

³⁶ See, e.g., *Aluminum Extrusions Investigation* and accompanying IDM at “Application of Adverse Inferences: Non-Cooperative Companies;” and *Steel Wire Investigation* and accompanying IDM at “Use of Facts Otherwise Available and Adverse Inferences.”

³⁷ See *Petition*, Volume IV at 16.

³⁸ See, e.g., *Aluminum Extrusions Investigation* at “Application of Adverse Inferences: Non-Cooperative Companies.”

³⁹ See *Chlorinated Isocyanurates From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*; 2012, 79 FR 56560 (September 22, 2014) (“*Chlorinated Isocyanurates Investigation*”), and accompanying IDM at “Electricity for LTAR.”

⁴⁰ See *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From the People’s Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201 (November 17, 2010) (“*Coated Paper Amended Final*”), and accompanying Ministerial Error Memorandum (MEM) at “Revised Net Subsidy Rate for the Gold Companies.” This document is proprietary in nature. However, the public version states the revised subsidy rates which include, *infra*, the policy lending rate (“Policy Loans to Coated Paper Producers and Related Pulp Producers from State-Owned Commercial Banks and Government Policy Banks program”).

⁴¹ See *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010) (“*Seamless Carbon and Alloy Steel*”), and accompanying IDM at

- Preferential Loans to State Owned Enterprises (“SOEs”)⁴²
- Debt Forgiveness for State Owned Enterprises Located in Henan Province⁴³
- Debt Forgiveness for “Hundred Strong” Enterprises Located in Henan Province⁴⁴
- Reduced Fee Export Insurance⁴⁵
- Tariff Exemption for Imported Equipment⁴⁶
- VAT Rebates on FIE Purchases of Chinese-made Equipment⁴⁷
- Exemptions from Administrative Charges for Companies in Certain Industrial Zones⁴⁸
- Refunds of Land Fees in the Puyang Economic & Development Zone⁴⁹
- Exemptions and Reductions of Administrative Fees in the Puyang Economic & Development Zone⁵⁰
- Provisions of Land for LTAR to Enterprises in Encouraged Industries in Sichuan Province, Henan Province (Zhumadian District), Xinjiang Province (Shaya County), and Chengdu Province (Qingbaijiang District)⁵¹
- Land to SOEs for LTAR⁵²
- Land Program to Enterprises in Industrial Zones: Zhumadian Industrial Cluster Zone, Yiyuan Economic Development Zone, Shaya Circular Economy Industrial Park⁵³
- Natural Gas for LTAR⁵⁴
- Coal for LTAR⁵⁵
- Land for LTAR for “Hundred Strong” Enterprises Located in Henan Province⁵⁶

“Export Loans from the Export-Import Bank of China.”

⁴² See *Coated Paper Amended Final* at “Preferential Lending to the Coated Paper Industry.”

⁴³ See *Lightweight Thermal Paper From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) and accompanying IDM at “Shareholder Loans.”

⁴⁴ *Id.*

⁴⁵ See *Seamless Carbon and Alloy Steel Investigation* and accompanying IDM at “Export Loans from the Export-Import Bank of China.”

⁴⁶ See *New Pneumatic Off-the-Road Tires From the People’s Republic of China: Preliminary Results of Countervailing Duty Administrative Review*, 75 FR 64268 (October 19, 2010) and accompany IDM at “VAT and Import Duty Exemptions on Imported Material;” sustained in *New Pneumatic Off-the-Road Tires From the People’s Republic of China: Final Results of Countervailing Duty Administrative Review*, 76 FR 23286 (April 26, 2011).

⁴⁷ *Id.*

⁴⁸ See *Chlorinated Isocyanurates Investigation* and accompanying IDM at “Special Fund for Energy Saving Technology.”

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ See *Certain Oil Country Tubular Goods From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination*, 74 FR 64045 (December 7, 2009) (“OCTG Investigation”), and accompanying IDM at “Subsidies Provided in the TBNA and the Tianjin Economics and Technological Development Area – Land.”

⁵² *Id.*

⁵³ *Id.*

⁵⁴ See *Countervailing Duty Investigation of 1,1,1,2 Tetrafluoroethane From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 62594 (October 20, 2014) (“1,1,1,2 Tetrafluoroethane”), and accompanying IDM at “Provision of Acidspar and Fluorspar for LTAR.” Because both melamine and 1,1,1,2 Tetrafluoroethane are part of the chemical industry and because coal is used as a raw material to produce melamine by the fertilizer producers, we find it appropriate to rely on a similar program such as “Provision of Acidspar and Fluorspar for LTAR” from *1,1,1,2 Tetrafluoroethane* to calculate the AFA rate pertaining to the natural gas program in this instant investigation.

⁵⁵ *Id.*; like natural gas, coal is also used as a raw material to produce melamine.

⁵⁶ See *OCTG Investigation* and accompanying IDM, at “Subsidies Provided in the TBNA and the Tianjin Economics

- Special Fund for Energy Saving Technology Reform⁵⁷
- State Key Technology Renovation Project Fund⁵⁸
- Environmental Protection Special Fund⁵⁹
- Grants to Cover Legal Fees in Trade Remedy Cases⁶⁰
- Clean Production Technology Fund⁶¹
- Grants for Listing Shares⁶²
- Grants Under the Industrial Structure Adjustment Fund (Henan Province)⁶³
- Grants for Enterprise Information Technology Projects⁶⁴
- Grants from Provincial, Municipal, and County Energy Saving and Emission Reduction Special Funds⁶⁵
- Structure Adjustment Awards (Puyang City)⁶⁶
- Strong Industrial City Competition Awards⁶⁷
- Big Enterprise Cultivation Grant Program⁶⁸
- Special funds for sewage treatment⁶⁹
- Special funds for energy saving and emission reduction⁷⁰
- Compensation payments for melamine equipment⁷¹
- Government support funds⁷²
- Energy saving and emission reduction subsidies⁷³
- Cash Grants for Exports⁷⁴

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”⁷⁵

and Technological Development Area – Land.”

⁵⁷ See *Chlorinated Isocyanurates Investigation* and accompanying IDM at “Special Fund for Energy Saving Technology.”

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ See SAA, at 870.

The SAA provides that to “corroborate” secondary information, the Department will satisfy itself that the secondary information to be used has probative value.⁷⁶

The Department will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that the Department need not prove that the selected facts available are the best alternative information.⁷⁷

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. Additionally, as stated above, we are applying subsidy rates which were calculated in previous PRC CVD investigations or administrative reviews. Additionally, no information has been presented which calls into question the reliability of these previously calculated subsidy rates. With respect to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. The Department will not use information where circumstances indicate that the information is not appropriate as AFA.⁷⁸

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

Based on the above methodology, we determine an AFA countervailable subsidy rate of 147.62 percent *ad valorem* for Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem, and M&A Chemical, and 150.52 percent *ad valorem* for Shandong Liaherd. Additionally, with respect to the all-others rate, section 705(c)(5)(A)(ii) of the Act provides that if the countervailable subsidy rates established for all exporters and producers individually investigated are determined entirely in accordance with section 776 of the Act, the Department may use any reasonable method to establish an all-others rate for exporters and producers not individually investigated. In this case, the countervailable subsidy rate calculated for the selected companies is based entirely on facts available under section 776 of the Act. There is no other information on the record upon which to determine an all-others rate. As a result, we have simple-averaged the AFA rates determined for Far-Reaching Chemical, Zhongyuan Dahua, Qingdao Unichem,

⁷⁶ *Id.*

⁷⁷ *Id.* at 869-870.

⁷⁸ *See, e.g., Fresh Cut Flowers From Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812 (February 22, 1996).

M&A Chemical, and Shangdong Liaherd to produce an all-others rate. This method is consistent with the Department’s past practice.⁷⁹

B. Subsidy Rate Chart

Program Name	AFA Rate
Policy Loans	10.54
Preferential Export Financing from the Export-Import Bank of China	1.06
Preferential Loans to State Owned Enterprises (“SOEs”)	10.54
Debt Forgiveness for State Owned Enterprises Located in Henan Province	2.32
Debt Forgiveness for “Hundred Strong” Enterprises Located in Henan Province	2.32
Reduced Fee Export Insurance	1.06
Income Tax Programs <ul style="list-style-type: none"> • Preferential Income Tax Program for High- or New-Technology Enterprises (“HNTEs”) • Preferential Income Tax Program for HNTEs in Designated Zones • Preferential Income Tax Program Enterprises in Western China • Tax Exemptions for Income from Technology Transfers • Tax Exemptions or Reductions for Profits Generated by Restructuring • Income Tax Exemptions in the Puyang Economic & Development Zone 	25.00
Tariff Exemption for Imported Equipment	9.71
VAT Rebates on FIE Purchases of Chinese-made Equipment	9.71
Exemptions from Administrative Charges for Companies in Certain Industrial Zones	0.58
Refunds of Land Fees in the Puyang Economic & Development Zone	0.58
Exemptions and Reductions of Administrative Fees in the Puyang Economic & Development Zone	0.58
Provisions of Land for LTAR to Enterprises in Encouraged Industries in Sichuan Province, Henan Province (Zhumadian District), Xinjiang Province (Shaya County), and Chengdu Province (Qingbaijiang District)	2.55
Land to SOEs for LTAR	2.55
Land Program to Enterprises in Industrial Zones: Zhumadian Industrial Cluster Zone, Yiyuan Economic Development Zone, Shaya Circular Economy Industrial Park	2.55
Provision of Electricity for LTAR	20.06

⁷⁹ See, e.g., *Circular Welded Carbon-Quality Steel Pipe From India: Final Affirmative Countervailing Duty Determination*, 77 FR 64468 (October 22, 2012); see also *Certain Potassium Phosphate Salts From the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Termination of Critical Circumstances Inquiry*, 75 FR 30375 (June 1, 2010); *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products From Argentina*, 66 FR 37007, 37008 (July 16, 2001); *Final Affirmative Countervailing Duty Determination: Prestressed Concrete Steel Wire Strand From India*, 68 FR 68356 (December 8, 2003); *Sodium Nitrite from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 38981 (July 8, 2008).

Program Name	AFA Rate
Natural Gas for LTAR	17.91
Coal for LTAR	17.91
Land for LTAR for "Hundred Strong" Enterprises Located in Henan Province	2.55
State Key Technology Renovation Project Fund	0.58
Environmental Protection Special Fund	0.58
Grants to Cover Legal Fees in Trade Remedy Cases	0.58
Special Fund for Energy Saving Technology Reform	0.58
Clean Production Technology Fund	0.58
Grants for Listing Shares	0.58
Grants Under the Industrial Structure Adjustment Fund (Henan Province)	0.58
Grants for Enterprise Information Technology Projects	0.58
Grants from Provincial, Municipal, and County Energy Saving and Emission Reduction Special Funds	0.58
Structure Adjustment Awards (Puyang City)	0.58
Strong Industrial City Competition Awards	0.58
Big Enterprise Cultivation Grant Program	0.58
Cash Grants for Exports	0.58
Benefit for Zhongyuan Dahua =	147.62
Benefit for Qingdao Unichem =	147.62
Benefit for Far-Reaching Chemical =	147.62
Benefit for M&A Chemicals =	147.62
Direct Government Grants to Shandong Liaherd	
Special funds for sewage treatment	0.58
Special funds for energy saving and emission reduction	0.58
Compensation payments for melamine equipment	0.58
Government support funds	0.58
Energy saving and emission reduction subsidies	0.58
Benefit for Shandong Liaherd =	150.52
All-Others (simple average of five mandatories) =	148.20

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

XI. DISCLOSURE AND PUBLIC COMMENT

All calculations in this preliminary determination are contained in the instant memorandum. Therefore, we hereby disclose to interested parties the calculations performed in connection with this preliminary determination.⁸⁰

Case briefs or other written comments for *all non-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 case briefs, may be submitted no later than five days after the deadline date for case briefs.⁸¹

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, may be 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 the record for the concurrent antidumping duty investigation.

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.⁸² This summary should be limited to five pages total, including footnotes.

Interested parties who wish to request a hearing, or to participate if one is requested, must do so in writing within 30 days after the publication of this preliminary determination in the *Federal Register*.⁸³ Requests should contain the party's name, address, and telephone number; the number of participants; and a list of the issues to be discussed. If a request for a hearing is made, the Department intends to hold the hearing at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, at a date, time and location to be determined. Parties will be notified of the date, time and location of any hearing.

Parties must file their case and rebuttal briefs, and any requests for a hearing, electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System ("ACCESS").⁸⁴ Electronically filed documents must be received successfully in their entirety through ACCESS by 5:00 p.m. Eastern Time,⁸⁵ on the due dates established above.

⁸⁰ 19 CFR 351.224(b) calls for the Department to normally disclose calculations performed in connection with a preliminary determination within five days of its public announcement.

⁸¹ See 19 CFR 351.309.

⁸² See 19 CFR 351.309(c)(2) and (d)(2).

⁸³ See 19 CFR 351.310(c).

⁸⁴ See 19 CFR 351.303(b)(2)(i).

⁸⁵ See 19 CFR 351.03(b)(1).

XII. CONCLUSION

We recommend that you approve the preliminary findings described above.

Agree

Disagree

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

(Date)

ATTACHMENT 1

Description of Programs Contained in the Petition

Below is a description of the programs initiated on by the Department as alleged and described by Petitioner.⁸⁶

A. Preferential Lending

1. Policy Loans

Description: The Chinese commercial banking law requires that banks lend “under the guidance of the industrial policies of the State” and that, through such policies, the GOC encourages the development of certain industrial sectors, such as the chemical industry, including melamine, through the provision of policy loans at preferential rates at the national level. The Ministry of Industry and Information Technology’s 2012 *Industry Transfer Guidance Catalog* supports key and advantaged industries, such as the chemical industry, including melamine production, through preferential lending. At the provincial level, the 12th Five-Year Plans of Henan, Hubei, and Sichuan Provinces designate the chemical industry as one of the key or pillar industries and call for provincial governments to increase support for bank loans for those industries. The Shaya County government also awards loan interest subsidies for projects that are in its six leading industries including the natural gas fine chemical industry, which includes melamine, while the Zhumadian Municipal Industrial Cluster Administration Committee reportedly signed an agreement with the Bank of Zhumadian to provide financial support in developing a local industrial cluster, naming a melamine producer in particular among those getting loans.

Financial Contribution: The provision of loans by GOC-controlled banks constitutes a direct transfer of funds within the meaning of section 771(D)(i) of the Act.

Specificity: Policy loans to Chinese producers of melamine are *de jure* specific under section 771(5A)(D)(i) of the Act because the GOC, through its constituent provinces and municipalities, has a policy in place to encourage and support the growth of the industry producing melamine. Loans from Chinese policy banks are by their very nature discretionary and thus specific, according to the PRC’s World Trade Organization (“WTO”) Accession Protocol.⁸⁷

Benefit: Pursuant to 19 CFR 351.505 and section 771(5)(E)(ii) of the Act, the benefit from any loan from the GOC or GOC-controlled bank is equal to the difference between what the recipient paid on the government-provided loan and the amount the recipient would have paid for a comparable commercial loan that it could actually have obtained from the market.

2. Preferential Export Financing from the Export-Import Bank of China

⁸⁶ See Initiation Checklist.

⁸⁷ See Volume IV of the Petition at Exhibit IV-19, Protocol on the Accession of the People's Republic of China to the World Trade Organization, WT/L/432 (November 23, 2001) at Annex 5A, IX.

Description: The Department has previously found that the GOC’s policy banks and state-owned commercial banks provide preferential loans to exporters, including loans from the Export-Import Bank of China to exporters in the chemical industry.⁸⁸

Financial Contribution: Such loans constitute a financial contribution under section 771(5)(D)(i) of the Act.

Specificity: Because these loans are contingent on export performance, they are deemed specific under section 771(5A)(B) of the Act.

Benefit: These loans confer a benefit under section 771(5)(E)(ii) of the Act to the extent that they are provided on terms better than those which would be available from market sources.

3. Preferential Loans to State Owned Enterprises (“SOEs”)

Description: The Department previously countervailed preferential lending to SOEs.⁸⁹ Petitioner provided news articles reporting that local governments “impact banks with { } soft power to support development of state-owned enterprises” and “banks prefer to allocate their loans to state-owned enterprises.”

Financial Contribution: Loans by GOC-controlled banks constitute a financial contribution under section 771(5)(D)(i) of the Act.

Specificity: These loans are *de facto* specific pursuant to section 771(5A)(D)(iii)(I) of the Act because they are only offered to SOEs.

Benefit: Pursuant to section 771(5)(E)(ii) of the Act and 19 CFR 351.505(a), the benefit from any loan provided by a GOC-controlled bank to an SOE is equal to the difference between what the recipients paid on the preferential loans and the amount they would have paid on comparable commercial loans.

B. Income Tax Programs

1. Preferential Income Tax Program for High- or New-Technology Enterprises (“HNTEs”)

Description: Under Article 28.2 of the Enterprise Income Tax Law, enterprises that are qualified as HNTEs are entitled to a reduced tax rate of 14 percent instead of 25 percent.⁹⁰

⁸⁸ See *Chlorinated Isocyanurates Investigation* and accompanying IDM at Export Seller's and Buyer's Credits from Export-Import Bank of China; *Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Results of Countervailing Duty Administrative Review*; 2011, 79 FR 108 (January 2, 2014), and accompany IDM at VII.LB

⁸⁹ See *OCTG Investigation* and accompanying IDM at 101.

⁹⁰ See Volume IV of the Petition at Exhibits IV-23, *PRC Corporate Income Tax Law (2008)*, KPMG.

Financial Contribution: Income tax exemptions or reductions provided to HNTes qualify as financial contributions in the form of revenue forgone by the GOC pursuant to section 771(5)(D)(ii) of the Act.

Specificity: Income tax reductions for HNTes are specific within the meaning of section 771(5A)(D)(i) of the Act because the program is limited, as a matter of law, to only certain enterprises, such as HNTes.

Benefit: This program provides a benefit to the recipient in the amount of the tax savings from the program pursuant to 19 CFR 351.509(a)(1).

2. Preferential Income Tax Program for HNTes in Designated Zones

Description: Melamine has been designated as an encouraged industry in the PRC's industrial policies, producers of subject merchandise that locate in certain special economic zones are exempt from incomes taxes for the first two years after earning income from production and pay only half of the standard tax rate for the next three years.

Financial Contribution: The income tax exemptions or reductions are a financial contribution in the form of revenue foregone by the GOC, pursuant to section 771(5)(D)(ii) of the Act.

Specificity: Income tax reductions for HNTes are specific within the meaning of section 771(5A)(D)(iv) of the Act because the program is limited as a matter of law to enterprises located in certain geographic zones.

Benefit: This program confers a benefit to the recipient in the amount of the tax savings from the program, pursuant to 19 CFR 351.509(a)(1).

3. Preferential Income Tax Program Enterprises in Western China

Description: Encouraged industries, including the chemical industry (under which the production of melamine falls), in the west of the PRC (which includes Sichuan province), shall receive a preferential business tax rate of 15 percent between January 1, 2011 and December 31, 2020.

Financial Contribution: The income tax exemptions or reductions are a financial contribution in the form of revenue foregone by the GOC, pursuant to section 771(5)(D)(ii) of the Act.

Specificity: Income tax reductions for encouraged industries in the west of China are specific within the meaning of section 771(5A)(D)(iv) of the Act, because the program is limited as a matter of law to enterprises located in certain geographical regions.

Benefit: This program confers a benefit to the recipient in the amount of the tax savings from the program, pursuant to 19 CFR 351.509(a)(1).

C. Other Tax Programs

1. Tariff Exemption for Imported Equipment

Description: The GOC exempts both foreign invested enterprises (“FIEs”) and certain domestic enterprises in encouraged industries from paying value added tax (“VAT”) and tariffs on imported equipment not for resale. Additionally, enterprises operating within regions identified in the Western Development Strategy are eligible for this program. The objective of this program is to encourage foreign investment and to introduce advanced equipment from abroad into the PRC and upgrade domestic industrial technology.

Financial Contribution: The tariff exemption for imported equipment constitutes a financial contribution within the meaning of section 771(5)(D)(ii) of the Act in the form of revenue foregone.

Specificity: The Department has found this program to be specific on a *de facto* basis under section 771(5A)(D)(iii)(I) of the Act because actual recipients of the subsidy are limited in number.⁹¹ It is also specific because it is limited by law to FIEs and certain domestic enterprises in encouraged industries pursuant to section 771(5A)(D)(i) of the Act. Additionally, this program is regionally specific to enterprises operating within one of the regions identified in Western Development Strategy pursuant to section 771(5A)(D)(iv) of the Act.

Benefit: This program provides a benefit to the recipient in the form of the tax savings from the program pursuant to 19 CFR 351.510(a)(1).

2. VAT Rebates on FIE Purchases of Chinese-made Equipment⁹²

Description: The GOC refunds FIEs the VAT on purchases of certain domestically-produced equipment.

Financial contribution: The VAT refund program for purchases of domestic equipment qualifies as a financial contribution under section 771(5)(D)(ii) because it involves revenue foregone by the GOC.

Specificity: This program is specific on a *de facto* basis under section 771(5A)(D)(iii)(I) of the Act because actual recipients of the subsidy are limited in number. It is also specific because it is limited by law to FIEs, pursuant to section 771(5A)(D)(i) of the Act.

⁹¹ See *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Negative Determination of Critical Circumstances*, 73 FR 40480 (July 15, 2008) (“OTR Tires Investigation”) and accompanying IDM at 22-23; see also *CFS Paper Investigation* and accompanying IDM at 87-88.

⁹² Petitioner appears to have alleged the same program twice—*i.e.*, this program and “4. VAT Rebates on Domestically Produced Equipment.” See Volume IV of the Petition at 22. The Department has collapsed these two programs as a single program for purposes of the preliminary determination.

Benefit: This program provides a benefit to the recipient in the form of tax savings from the program pursuant to 19 CFR 351.510(a)(1).

3. Exemptions from Administrative Charges for Companies in Certain Industrial Zones

Description: Producers of subject merchandise that are located in certain industrial zones are likely to benefit from exemptions from GOC administrative charges.

Financial Contribution: Consistent with section 771(5)(D)(ii) of the Act, exemptions from municipal government fees and taxes constitute financial contributions in the form of revenue forgone by the government.

Specificity: The exemption or reduction of fees due is specific because the municipal authorities have designated certain geographical region within their jurisdictions for disparate treatment within the meaning of section 771(5A)(D)(iv) of the Act.

Benefit: The exemptions provided under the program confer a benefit in the amount of the exemption or reduction of taxes otherwise due, pursuant to 19 CFR 351.509(a)(1).

D. Government Provision of Goods and Services for Less Than Adequate Remuneration (“LTAR”)

1. Provision of Land Use Rights for LTAR

a. Provisions of Land for LTAR to Enterprises in Encouraged Industries in Sichuan Province, Henan Province (Zhumadian District), Xinjiang Province (Shaya County), and Chengdu Province (Qingbaijiang District)

Description: The Transfer Catalog identifies the chemical industry (including melamine) as one of the “advantaged” and “key industries” eligible to benefit from the GOC’s preferential rates for land use. Provincial and local governments have also implemented policies to provide land at preferential rates to those “advantaged” and “key industries.”

Financial Contribution: The provision of land use rights constitutes a financial contribution within the meaning of section 771(4)(D)(iii) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) and/or 771(5A)(D)(iv) of the Act because the land use rights under this program are only provided to encouraged industries or enterprises (e.g., the chemical industry) in certain geographic areas.

Benefit: The provision of land use rights at below-market prices confers a benefit within the meaning of section 771(5)(E)(iv) of the Act and 19 CFR 351.511(a)(2).

b. Land to SOEs for LTAR

Description: The GOC provides SOEs “allocated” land use rights which do not expire (as opposed to “granted” or “conveyed” land use rights) for a nominal one-time charge and annual fee.

Financial Contribution: The provision of land use rights constitutes a financial contribution from the GOC, within the meaning of section 771(5)(D)(iii) of the Act.

Specificity: Allocated land use rights are only available to SOEs, a group of enterprises, making the government provision of allocated land use rights at below market prices specific under section 771(5A)(D)(i) of the Act. Under Article 10.2 of China’s WTO Accession Protocol, subsidies provided to SOEs can be considered specific when SOEs are the predominant recipients of such subsidies or receive disproportionately large amounts of such subsidies.

Benefit: The GOC provides allocated land use rights to SOEs for only nominal fees, providing a benefit within the meaning of section 771(5)(E)(iv) of the Act and 19 CFR 351.511(a)(2).

c. Land Program to Enterprises in Industrial Zones: Zhumadian Industrial Cluster Zone, Yiyuan Economic Development Zone, Shaya Circular Economy Industrial Park

Description: The GOC provides land use rights at preferential rates to melamine producers located in certain industrial economic zones. At least one producer of melamine, Shandong Liaherd Chemical Industry Co., Ltd., is located within the Yiyuan Economic Development Zone and likely received the preferential rates for land.

Financial Contribution: The provision of land use rights constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

Specificity: This program is specific under section 771(5A)(D)(iv) of the Act because the land use rights at issue are located within designated geographical regions of the jurisdictions providing them. Additionally, these jurisdictions treat entities located within the zones differently from entities outside the zone and the resulting subsidies are specific.

Benefit: The GOC provision of and use rights at below market prices confers a benefit within the meaning of section 771(5)(E)(iv) of the Act and 19 CFR 351.511(a)(2).

2. Provision of Electricity for LTAR

Description: Melamine producers operate in localities that offer electricity for cut-rate prices and benefit from this program. For instance, the government of Yiyuan, where Shandong Liaherd Chemical Industry Co., Ltd. is located, defers fees for high-reliability power supply and temporary power supply for up to two years, and reduces two thirds of the standard minimal fee of enterprise-related charges for companies in favored industries.⁹³

⁹³ See Volume IV of the Petition at Exhibits IV-9 and IV-36.

Financial Contribution: The GOC provision of electricity for LTAR confers a financial contribution pursuant to section 771(5)(D)(iii) of the Act because the GOC is providing melamine producers a good or service.

Specificity: The discriminatory provision of lower-cost electricity in certain designated geographic regions is regionally specific under section 771(5A)(D)(iv) of the Act because the subsidy is only available within such designated geographical regions. Additionally, because authorities provide electricity at preferential rates to encouraged industries, the provision of electricity at preferential rates is specific under section 771(5A)(D)(i) of the Act because it is limited to certain industries.

Benefit: A benefit is conferred under section 771(5)(E)(iv) of the Act to the extent electricity is provided to melamine producers for LTAR pursuant to 19 CFR 351.511(a).

3. The Provision of Inputs for LTAR

a. Natural Gas for LTAR

Description: The production of melamine begins with natural gas or coal and that melamine producers are frequently co-located with fertilizer producers. Natural gas production, distribution, and pricing in the PRC are heavily controlled by SOEs.⁹⁴ GOC policies favor the chemical fertilizer industry. Additionally, the chemical and petrochemical industries account for 48 percent of natural gas consumption in the PRC. The National Development and Reform Committee (“NDRC”) sets the ex-plant price for natural gas in the PRC and natural gas suppliers are only permitted a mark-up to customers of 10 percent or less; pipeline transportation fees are also set by the state. Lastly, the GOC acknowledged in its Accession Protocol that it provides subsidies on energy inputs to special industrial sectors.

Financial Contribution: The provision of natural gas by the GOC to melamine producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act, because the GOC provides a good (*i.e.*, natural gas) to the producers of subject merchandise. The three SOEs which supply natural gas are “authorities” within the meaning of section 771(5)(B)(i) of the Act.⁹⁵

Specificity: Because the chemical and petrochemical industries are the main industrial users of natural gas in China, accounting for 48 percent of consumption, this program is *de facto* specific under section 771(5A)(D)(iii) of the Act.

Benefit: Natural gas provided by the GOC to the chemical and petrochemical industries at preferential prices confers a benefit within the meaning of section 771(5)(E)(iv) of the Act, to the extent that melamine producers pay less for the natural gas they receive from the GOC than if the natural gas was purchased from a market source.

⁹⁴ See Volume IV of the Petition at Exhibit IV-47.

⁹⁵ The three SOEs, as identified by Petitioner, are China National Petroleum Corporation (“CNPC”), China Petroleum and Chemical Corporation (“Sinopec”), and China National Offshore Oil Corporation (“CNOOC”).

b. Coal for LTAR

Description: Coal gasification is a process used to produce melamine that relies on coal as the primary input and that melamine plants are frequently integrated in fertilizer production complexes. The GOC's national coal policy provides for production and sale of coal, on a more favorable basis, to five favored sectors (including the fertilizer industry and significant exporters).⁹⁶ The GOC acknowledged in its Accession Protocol to the WTO that it provides subsidies on energy inputs to special industrial sectors.

Financial Contribution: The provision of coal by the GOC to melamine producers constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act, because the GOC provides a good (*i.e.*, coal) to the producers of subject merchandise.

Specificity: Because the GOC provides preferentially priced coal to the fertilizer industry and exporters (both of which are synonymous with melamine producers in this investigation), this program is specific under sections 771(5A)(B) and (D)(i) or (iii) of the Act.

Benefit: Coal provided by the GOC to the fertilizer industry and exporters at preferential prices confers a benefit within the meaning of section 771(5)(E)(iv) of the Act, to the extent that melamine producers pay less for the coal they receive from the GOC than if the coal was purchased from a market source.

E. Grants

1. State Key Technology Renovation Project Fund

Description: The State Key Technology Renovation Project Fund ("Key Technology Program") was created to promote technologies in key industries, and operates under the regulatory guidelines provided in Circular No. 886. The purpose of this program is to promote technological renovation and upgrades in key industries, enterprises, and products, improve product structure and quality, increase supply and domestic demand, and develop the state economy. Under the Key Technology Program, companies can apply for funds to cover financing costs specific to technological renovation projects. The funds cover two years of interest payments on loans to fund the project, or up to three years for enterprises located in the northeast, central, or western areas of the PRC. Key Technology Program funds may also be disbursed as grants, which are calculated with reference to the amount of the project loans and prevailing interest rates during a period of one to two years. Article 4 of Circular No. 886 states that recipients of these funds will be selected primarily from large state-owned enterprises and large-sized state holding enterprises, with preference given to old industrial bases in the northeast, central, and western areas.

Financial Contribution: This program provides a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

⁹⁶ See Volume IV of the Petition at Exhibits IV-63 and IV-64.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is limited, as a matter of law, to certain enterprises—*i.e.*, large state-owned enterprises and large-sized state holding enterprises among the 513 key enterprises, 120 pilot enterprise groups, and other leading enterprises. Additionally, pursuant to Article 10.2 of China’s WTO Accession Protocol, subsidies provided to SOEs can be considered specific when SOEs are the predominant recipients of such subsidies or receive disproportionately large amounts of such subsidies.

Benefit: The Key Technology Program provides a benefit equal to the amount of the grants under 19 CFR 351.504(a).

2. Environmental Protection Special Fund

Description: The GOC includes the Environmental Protection Special Fund in the government budget and uses it for the prevention and treatment of environmental pollution. The fund is used to provide grants and loan interest subsidies to companies engaging in certain pollution prevention and treatment projects.⁹⁷ The chemical industry and the production of melamine have been designated as “key” by the GOC.

Financial Contribution: This program confers a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific within the meaning of section 771(5A)(D)(i) of the Act because the program is limited by law to key industries. Benefits provided under this program are also specific under sections 771(5A)(D)(ii)(I) and (III) of the Act because of the discretion the GOC exercises in selecting beneficiaries.

Benefit: Grants made under the Environmental Protection Special Fund program provide a benefit in the amount received pursuant to 19 CFR 351.504(a).

3. Grants to Cover Legal Fees in Trade Remedy Cases

Description: The Jiangsu government compensates Chinese producers and exporters for legal fees incurred in conjunction with trade remedy cases. Under the program, enterprises in Jiangsu Province participating in foreign antidumping and anti-subsidy investigations are entitled to special levels of financial support for attorney fees and certain travel expenses. There are melamine producers located in Jiangsu that are likely to have benefited from this program as they have been subject to antidumping and countervailing duty investigations from the European Union and India.

Financial Contribution: This program provides a financial contribution in the form of a direct transfer of funds from a government source in accordance with section 771(5)(D)(i) of the Act.

Specificity: This program is a prohibited export subsidy within the meaning of section 771(5A)(B) of the Act because it is limited to companies that export.

⁹⁷ See Volume IV of the Petition at 50-51 and Exhibit IV-71.

Benefit: This program provides a benefit in the amount of the grants according to 19 CFR 351.504(a).

4. Special Fund for Energy Saving Technology Reform

Description: The GOC provides awards to support certain enterprises undertaking energy saving technology projects and that local governments have adopted plans to implement the polices (e.g., the Hubei Five-Year Plan).⁹⁸ Melamine producers are eligible to receive benefits under this program because the chemical industry is among the nine key energy consumption industries.⁹⁹

Financial Contribution: This program confers a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific on a *de facto* basis within the meaning of section 771(5A)(D)(iii)(I) of this Act because the actual recipients of the grants are limited to a small number of enterprises (i.e., 998 enterprises) and limited to only nine key industries.

Benefit: Grants made under the Energy Saving Special Fund program provides a benefit in the amount received pursuant to 19 CFR 351.504(a).

5. Clean Production Technology Fund

Description: The purpose of this program is to decrease pollution through incentives, provided at the discretion of local government ministries, including both monetary and non-monetary rewards presented to companies that pass an environmental inspection.

Financial Contribution: This program provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(iii)(IV) because of discretion exercised by the government when selecting companies to participate.

Benefit: This program provides a benefit in the amount of the grant, in accordance with 19 CFR 351.504(a).

6. Grants for Listing Shares

Description: Local governments in the PRC frequently provide grants to companies that list shares on a public stock exchange.

Financial Contribution: The grant constitutes a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

⁹⁸ See Volume IV of the Petition at 53-54 and Exhibits IV-76, IV-7, and IV-11.

⁹⁹ See Volume IV of the Petition at 54 and Exhibit IV-77.

Specificity: Grants provided under this program are *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because only a small number of Chinese companies are allowed to list on bourses. Additionally, it is specific under section 771(5A)(D)(i) of the Act, because it is limited to companies with listed shares.

Benefit: This program provides a benefit in the amount of the grant, in accordance with 19 CFR 351.504(a).

7. Direct Government Grants to Shandong Liaherd Chemical Industry Co., Ltd.

Description: In Shandong Liaherd Chemical Industry Co., Ltd.'s 2013 annual report, company received numerous grants from the GOC, including the following:

- a) Special funds for sewage treatment;
- b) Special funds for energy saving and emission reduction;
- c) Compensation payments for melamine equipment;
- d) Government support funds;
- e) Energy saving and emission reduction subsidies.¹⁰⁰

Financial Contribution: This program provides a financial contribution because it represents a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The program is *de facto* specific under section 771(5A)(D)(iii)(I) and (IV) of the Act, to the extent that the recipients of the subsidy are limited in number and PRC officials exercise discretion in selecting beneficiaries.

Benefit: This program confers a benefit in the amount of the grant within the meaning of section 771(5)(E) of the Act and 19 CFR 351.504(a).

¹⁰⁰ See Volume IV of the Petition at Exhibit IV-72 at pages 138 and 145. In the Initiation Checklist, we identified seven direct grants, but two of them are duplicates and thus are removed.

ATTACHMENT 2

Description of Programs Contained in Petitioner's New Subsidy Allegations

Below is a description of the programs initiated on by the Department as alleged and described by Petitioner.¹⁰¹

1. Debt Forgiveness for State Owned Enterprises (“SOEs”) Located in Henan Province

Description: Zhongyuan Dahua benefited from a government of Henan Province program for purchasing back bad debts to help enterprises owned by the provincial government meet objectives for strategic industrial restructuring.

Financial Contribution: Debt forgiveness under this program provides a financial contribution in the form of a government assumption of liabilities in accordance with section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because the recipients are a limited group of enterprises (*i.e.*, SOEs).

Benefit: Pursuant to 19 CFR 351.508(a), the assumption or forgiveness of debt obligations provides a benefit equal to the amount of principal and/or interest assumed or forgiven.

2. Financial Support for “Hundred Strong” Enterprises Located in Henan Province

a. Debt Forgiveness for “Hundred Strong” Enterprises in Henan Province

Description: Zhongyuan Dahua’s parent company, Henan Coal Chemical Industry Group Co., Ltd. (“Henan Coal”), was designated by the Henan Province government as a “Hundred Strong” enterprise and was eligible for support in the form of debt forgiveness.

Financial Contribution: Debt forgiveness under this program provides a financial contribution in the form of a government assumption of liabilities in accordance with section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: Pursuant to 19 CFR 351.508(a), the assumption or forgiveness of debt obligations provides a benefit equal to the amount of principal and/or interest assumed or forgiven.

b. Land for Less Than Adequate Remuneration

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the

¹⁰¹ See New Subsidy Allegations.

Henan Province government as a “Hundred Strong” enterprise, was eligible to receive land in Henan Province at preferential prices.

Financial Contribution: The provision of land use rights constitutes a financial contribution within the meaning of section 771(5)(D)(iii) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: The provision of land use rights at below market prices confers a benefit pursuant to 19 CFR 351.511(a)(2).

c. Grants Under the Industrial Structure Adjustment Fund

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the Henan Province government as a “Hundred Strong” enterprise, was eligible to receive grants under the Industrial Structure Adjustment Fund.

Financial Contribution: Government grants provide a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: Grants made under the Industrial Structure Adjustment Fund provide a benefit in the amount of the grant, in accordance with 19 CFR 351.504(a).

d. Grants for Enterprise Information Technology Projects

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the Henan Province government as a “Hundred Strong” enterprise, was eligible to receive grants for Enterprise Information Technology Projects.

Financial Contribution: Government grants provide a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: This program provides a benefit in the amount of the grant, in accordance with 19 CFR 351.504(a).

e. Grants from Provincial, Municipal, and County Energy Saving and Emission Reduction Special Funds

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the Henan Province government as a “Hundred Strong” enterprise, was eligible to receive grants to support energy reduction and emission reduction efforts.

Financial Contribution: Government grants provide a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: This program provides a benefit in the amount of the grant, in accordance with 19 CFR 351.504(a).

f. Tax Exemptions for Income from Technology Transfers

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the Henan Province government as a “Hundred Strong” enterprise and its status as a provincial resident enterprise, was eligible to receive enterprise income tax exemptions to support enterprises’ independent innovation.

Financial Contribution: Income tax exemptions provide a financial contribution in the form of revenue foregone by the government within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises in Henan.

Benefit: This program provides a benefit in the amount of the income tax exemptions or reductions, in accordance with 19 CFR 351.509(a)(1).

g. Tax Exemptions or Reductions for Profits Generated by Restructuring

Description: Zhongyuan Dahua’s parent company, Henan Coal, due to its designation by the Henan Province government as a “Hundred Strong” enterprise was eligible to receive tax exemptions or reductions where enterprise restructuring causes appreciation in assets appraisal, generates profit, and changes proprietorship.¹⁰²

Financial Contribution: Tax exemptions or reductions provide a financial contribution in the form of revenue foregone by the government within the meaning of section 771(5)(D)(ii) of the Act.

¹⁰² See New Subsidy Allegations at 10 and Exhibit 5.

Specificity: This program is specific under section 771(5A)(D)(i) of the Act because it is only available to companies designated by the provincial authorities as one of the “Hundred Strong” or “Hundred High” enterprises.

Benefit: This program provides a benefit in the amount of the income tax exemptions or reductions, in accordance with 19 CFR 351.509(a)(1).

3. Puyang City Subsidies

a. Structure Adjustment Award

Description: Due to its location in Puyang City, Zhongyuan Dahua was eligible to receive awards involving the refund of land fees and related taxes, and was among only 42 companies to receive such awards for undertaking new technological renovation projects. Zhongyuan Dahua received a structure adjustment award of nearly one million *renminbi* during the POI.

Financial Contribution: Payment of a refund by the government qualifies as a direct financial contribution within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because of a limited number of recipients. This program is also specific under section 771(5A)(D)(iii)(IV) of the Act because of the government’s discretion in selecting recipients.

Benefit: This program provides a benefit in the amount of the award payment in accordance with 19 CFR 351.504(a).

b. Strong Industrial City Competition Award

Description: Due to its location in Puyang City and due to Puyang City policies, Zhongyuan Dahua was among only 25 “above-scale industrial enterprises” and “excellent enterprises” that received a “Strong Industrial City Competition” cash award under this program in 2013.

Financial Contribution: Cash grants from a government provide a direct financial contribution within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because of a limited number of recipients. It is also specific under section 771(5A)(D)(iii)(IV) of the Act because of the government’s discretion in selecting recipients.

Benefit: This program provides a benefit in the amount of the award payment in accordance with 19 CFR 351.504(a).

c. Big Enterprise Cultivation Grant Program

Description: Due to its location in Puyang City, Zhongyuan Dahua is eligible to receive a cash grant due to its designation as a “key backbone enterprise” by the government of Puyang City.

Financial Contribution: Cash grants from a government provide a direct financial contribution within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific under section 771(5A)(D)(iii)(IV) of the Act because of the government’s discretion in selecting recipients.¹⁰³

Benefit: This program provides a benefit in the amount of the grant payment in accordance with 19 CFR 351.504(a).

d. Incentives In The Puyang Economic & Development Zone

i. Refunds of Land Fees

Description: Due to its affiliates outside of Puyang City and operations in Puyang Economic & Development Zone, Zhongyuan Dahua is eligible to receive refunds of land fees on a sliding scale, based on the amount of investment.

Financial Contribution: Revenue foregone by a government provides a financial contribution within the meaning of section 771(5)(D)(ii) of the Act. In the alternative, the payment of the refund by the government qualifies as a direct financial contribution under section 771(5)(D)(i) of the Act.

Specificity: This program is geographically specific under section 771(5A)(D)(iv) of the Act because it is only available in development zones and industrial clusters within the jurisdiction of Puyang City.

Benefit: Refunds of government fees or exemptions from such payments provide a benefit in the amount of savings in accordance with 19 CFR 351.509(a)(1).

ii. Income Tax Exemptions

Description: Due to its affiliates outside of Puyang City and operations in Puyang Economic & Development Zone, Zhongyuan Dahua is eligible to receive a refund of income taxes on a sliding scale, based on the amount and age of the investment.

Financial Contribution: Revenue foregone by a government provides a financial contribution within the meaning of section 771(5)(D)(ii) of the Act. In the alternative, the payment of the refund by the government qualifies as a direct financial contribution under section 771(5)(D)(i) of the Act.

Specificity: This program is geographically specific under section 771(5A)(D)(iv) of the Act because it is only available in development zones and industrial clusters within the jurisdiction of

¹⁰³ While not alleged by Petitioner, the documentary material provided indicates that this program may be *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act by explicitly limiting the grants to companies designated as “key backbone enterprises.”

Puyang City.

Benefit: Income tax exemptions or reductions provide a benefit to the recipient in the amount of tax savings in accordance with 19 CFR 351.509(a)(1).

iii. Exemptions and Reductions of Administrative Fees

Description: Due to its affiliates outside of Puyang City and operations in Puyang Economic & Development Zone, Zhongyuan Dahua is eligible to receive exemptions and reductions of administrative fees.

Financial Contribution: Revenue foregone by a government provides a financial contribution within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: This program is geographically specific under section 771(5A)(D)(iv) of the Act because it is only available in development zones and industrial clusters within the jurisdiction of Puyang City.

Benefit: Exemptions or reductions of fees provide a benefit to the recipient in the amount of tax savings in accordance with 19 CFR 351.509(a)(1).

4. Reduced Fee Export Insurance

Description: As a small enterprise, Qingdao Unichem was eligible to utilize a Qingdao municipal government program that provides reduced rates for export insurance through the China Export & Credit Insurance Corporation (an SOE also known as Sinosure).¹⁰⁴ Additionally, the Department has previously determined that Chinese export insurance programs involving Sinosure provide countervailable subsidies.¹⁰⁵

Financial Contribution: Government-backed export insurance provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific within the meaning of section 771(5A)(B) of the Act because it is contingent upon export performance.

Benefit: This program provides a benefit within the meaning of section 771(5)(B)(iii) of the Act because participants pay lower premiums than are generally available.

5. Cash Grants for Exports

Description: As a small enterprise, Qingdao Unichem was eligible to utilize a Qingdao municipal government program in which participants receive the equivalent of “RMB 1 cent per

¹⁰⁴ See New Subsidy Allegations at 16-17 and Exhibits 14, 15 and 16.

¹⁰⁵ See, e.g., *Countervailing Duty Investigation of Certain Crystalline Silicon Photovoltaic Products from the People's Republic of China: Final Affirmative Countervailing Duty Determination (Crystalline Silicon Photovoltaic Products)*, 79 FR 76962 (December 23, 2014).

every 1 USD of exports” during exchange settlement.

Financial Contribution: Government grants during currency settlement provide a financial contribution within the meaning of section 771(5)(D)(i) of the Act.

Specificity: This program is specific within the meaning of section 771(5A)(B) of the Act because it is contingent upon export performance.

Benefit: This program provides a benefit in the amount of the payment pursuant to 19 CFR 351.504(a).