DATE: June 22, 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 the Preliminary Affirmative
Countervailing Duty Determination in the Countervailing Duty
Investigation of Certain Uncoated Paper from the People’s
Republic of China

I. SUMMARY

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

II. BACKGROUND

A. Initiation and Case History

On January 21, 2015, Petitioners\(^1\) filed petitions with the Department seeking the imposition of
countervailing duties (CVD) on uncoated paper from, *inter alia*, the PRC.\(^2\) On January 26 and
27, 2015, the Department requested information and clarification for certain areas of the
Petitions.\(^3\) Petitioners filed a response to these requests on January 29, 2015.\(^4\) On February 5,
2015, the Department held consultations with the Government of the PRC (GOC) regarding the

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\(^1\) Petitioners are United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service
Workers International Union; Domtar Corporation; Finch Paper LLC; P.H. Glatfelter Company; and Packaging
Corporation of America (collectively, Petitioners).

\(^2\) See Letter from Petitioners regarding “Petitions for the Imposition of Antidumping and Countervailing Duties
Against Certain Uncoated Paper from Australia, Brazil, the People’s Republic of China, Indonesia, and Portugal”

\(^3\) See Letter from the Department to Petitioners, “Petition for the Imposition of Countervailing Duties on Imports of

CVD investigation. On February 18, 2015, the Department published the initiation of the CVD investigation on uncoated paper from the PRC.

As discussed in the *Initiation Notice*, we intended to base our selection of mandatory respondents on U.S. Customs and Border Protection (CBP) entry data for the Harmonized Tariff Schedule of the United States (HTSUS) subheadings listed in the scope of the investigation. On February 11, 2015, we released CBP data to all interested parties. Petitioners submitted comments concerning the CBP data on February 24, 2015. On March 23, 2015, we selected Sun Paper (Hong Kong) Co., Ltd. (Sun Paper HK) and UPM Changshu (UPM) as mandatory respondents. On March 24, 2015, we issued the initial questionnaire to the GOC, Sun Paper HK, and UPM. On April 8, 2015, Shandong Sun Paper Industry Joint Stock Co., Ltd. and Sun Paper HK (collectively, Sun Paper) submitted a letter notifying the Department that it was withdrawing its participation from the CVD investigation. On April 10, 2015, the Department issued its second respondent selection memorandum and based on CBP data designated Asia Symbol (Guangdong) Paper Co., Ltd. (AS Guangdong) as a mandatory respondent.

On April 10, 2015, we issued the initial questionnaire to AS Guangdong. On April 21, 2015, we issued a supplemental questionnaire to UPM. On April 14 and April 24, 2015, UPM and AS Guangdong submitted their responses to the company affiliation section of the initial questionnaire, respectively. AS Guangdong provided responses on behalf of its cross-owned affiliates Asia Symbol (Guangdong) Omya Minerals Co., Ltd. (AS Omya), Asia Symbol (Shandong) Pulp & Paper Co., and Greenpoint Global Trading (Macao Commercial Offshore) Limited (Greenpoint) (collectively, the Asia Symbol Companies). On May 6, 2015, UPM notified the Department that it was withdrawing its participation in the CVD investigation.

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5 See Department Memorandum regarding “Ex-Parte Meeting with Representatives from Ministry of Commerce of China (MOFCOM) and Economic and Commercial Counselor’s Office of the Embassy of China in the United States” (February 6, 2015).
7 Id.
11 See Department’s initial questionnaire (March 25 and April 10, 2015) (IQ).
13 See the IQ issued to AS Guangdong on April 10, 2015.
14 See the Department’s first supplemental questionnaire to UPM (April 21, 2015).
16 See UPM’s submission, “Uncoated Paper From the People's Republic of China (C-570-023) Investigation; UPM
Additionally on May 6, 2015, the GOC informed the Department that, in light of UPM’s withdrawal from the investigation, the GOC would not submit a response with regard to UPM. In its letter the GOC further indicated that it would respond to the questionnaire with regard to the Asia Symbol Companies.\(^{17}\)

On February 26, 2015, pursuant to 19 CFR 351.205(b)(2), Petitioners requested that the Department postpone the preliminary determination of this investigation. On March 12, 2015, the Department postponed the preliminary determination until June 22, 2015, in accordance with section 703(c)(1)(A) of the Act.\(^{18}\)

We received responses to the initial questionnaire from the Asia Symbol Companies on May 20, 2015, and the GOC on May 21, 2015.\(^{19}\) We issued a supplemental questionnaire to the Asia Symbol Companies on June 1, 2015,\(^{20}\) to which the Asia Symbol Companies responded on June 12, and 15, 2015.\(^{21}\) We issued a supplemental questionnaire and addendum to the GOC on June 1 and 3, 2015,\(^{22}\) to which the GOC responded on June 15, 2015.\(^{23}\)

On June 3, 2015, Petitioners’ submitted factual information to rebut and clarify the Asia Symbol Companies’ and GOC’s initial questionnaire response.\(^{24}\) The GOC submitted its rebuttal factual information on June 17, 2015.\(^{25}\)

On April 1, 2015, we placed the Global Trade Atlas (GTA) data on the record of this investigation.\(^{26}\) On April 20, 2015, Petitioners filed comments on the GTA data.\(^{27}\) On June 1, 2015, Petitioners and the Asia Symbol Companies submitted benchmark information on the record.\(^{28}\) Petitioners submitted rebuttal freight information on June 11, 2015.\(^{29}\)


\(^{19}\) See Asia Symbol Companies’ initial questionnaire response (May 20, 2015) (AS IQR); see also GOC’s initial questionnaire response (May 21, 2015) (GOC IQR).

\(^{20}\) See the Department’s first supplemental questionnaire to the Asia Symbol Companies (June 1, 2015) (AS 1SQ).

\(^{21}\) See the Asia Symbol Companies’ 1st supplemental questionnaire (June 12 and 15, 2015) (AS 1SQR).

\(^{22}\) See the Department’s first supplemental questionnaire to the GOC (June 1, 2015) and Addendum to 1st Supplemental Questionnaire (June 3, 2015) (GOC 1SQ).

\(^{23}\) See GOC’s 1st supplemental questionnaire response (June 15, 2015) (GOC 1SQR).


On May 13, 2015, Petitioners submitted a new subsidy allegation (NSA).30 We initiated an investigation of the NSAs on May 28, 201531 and issued the NSA questionnaire to Asia Symbol Companies and the GOC on May 29, 2015.32 Asia Symbol Companies submitted its NSA questionnaire response on June 15, 2015.33 The GOC’s NSA questionnaire is currently due June 22, 2015. The timing of the NSA questionnaire responses submitted by the Asia Symbol Companies and the GOC are such that we are not able to incorporate them into our preliminary determination. As explained below, we intend to examine these programs after the Preliminary Determination.

On June 17, 2015, the Petitioner filed pre-preliminary determination comments.

B. Period of Investigation

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

III. ALIGNMENT

On the same day that the Department initiated this CVD investigation, the Department also initiated an AD investigation of uncoated paper from the PRC.34 The AD and CVD investigations cover the same class or kind of merchandise from the same country. On June 17, 2015, in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4)(i), Petitioners requested alignment of the final CVD determination with the final AD determination of uncoated paper from the PRC. Therefore, in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4)(i), we are aligning the final CVD determination in this investigation with the final determination in the companion AD investigation. Consequently, the final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be issued no later than November 2, 2015, unless postponed.

IV. SCOPE COMMENTS

In accordance with the Preamble to the Department’s regulations, we set aside a period of time in the Initiation Notice for parties to raise issues regarding product coverage, and we encouraged all parties to submit comments within 20 calendar days of the signature date of that notice.35 On

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33 See the Department’s NSA Questionnaire to GOC (GOC NSAQ) and Asia Symbol Companies (AS NSAQ) (May 29, 2015).
34 See Asia Symbol Companies’ NSA questionnaire response (June 15, 2015) (NSAQR).
35 See Certain Uncoated Paper From Australia, Brazil, the People’s Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations, 80 FR 8608 (February 18, 2015).
36 See Antidumping Duties; Countervailing Duties, 62 FR 27296, 27323 (May 19, 1997) (Preamble); see also Initiation Notice.
March 31, 2015, Gartner Studios, Inc. (Gartner Studios), a United States importer and vendor of print and social stationery, requested permission from the Department to submit additional factual information regarding the scope of the investigations of uncoated paper. After the Department granted Gartner Studios’ request, Gartner Studios submitted additional factual information and sought guidance regarding the scope coverage on April 14, 2015. Per the Department’s request, Gartner Studios provided the Department with samples and the Harmonized Tariff Schedule categories applicable to the specific products for which Gartner Studios requested a clarification to the scope of the investigations. On May 8, 2015, Petitioners filed a response to Gartner Studios’ request. On May 13, 2015, the Department issued to Gartner Studios a supplemental questionnaire, to which Gartner Studios submitted a response.

We are currently evaluating the scope comments filed by the interested parties. We will issue our preliminary decision regarding the scope of the AD and CVD investigations either before or in the preliminary determination of the companion AD investigations, which are due for signature on August 19, 2015. We will incorporate the scope decisions from the AD investigations into the scope of the final CVD determinations after considering any relevant comments submitted in case and rebuttal briefs.

V. SCOPE OF THE INVESTIGATION

The merchandise covered by this investigation includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a

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36 See Letter from Gartner Studios, entitled “Certain Uncoated Paper from Australia, Brazil, the People’s Republic of China, Indonesia, and Portugal; Request for Permission to Submit Additional Factual Information Regarding the Investigations’ Scope,” (March 31, 2015).
37 See Letter from the Department, entitled “Antidumping Duty Investigations Of Certain Uncoated Paper From Australia, Brazil, The People’s Republic Of China, Indonesia, And Portugal; And Countervailing Duty Investigations Of Certain Uncoated Paper From The People’s Republic Of China And Indonesia: Gartner Studios’ Request For Permission To Submit Additional Factual Information Pertaining To The Scope Of The Investigations,” (April 6, 2015).
39 See the Department’s Memorandum to the File, entitled “Antidumping Duty Investigations on Certain Uncoated Paper from Australia, Brazil, the People’s Republic of China (PRC), Indonesia, and Portugal, and Countervailing Duty Investigations on Certain Uncoated Paper from Indonesia and the PRC: Phone Call with Counsel to Gartner Studios, Inc.,” (April 23, 2015).
43 See Letter from Gartner Studios, entitled “Certain Uncoated Paper from Australia, Brazil, the People’s Republic Of China, Indonesia, and Portugal; Response to Supplemental Question,” (May 18, 2015).
white paper with a GE brightness level\(^{44}\) of 85 or higher or is a colored paper; whether or not surface-decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions (Certain Uncoated Paper).

Certain Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated groundwood paper produced from bleached chemi-thermo-mechanical pulp (BCTMP) that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.

Specifically excluded from the scope are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes.

Imports of the subject merchandise are provided for under Harmonized Tariff Schedule of the United States (HTSUS) categories 4802.56.1000, 4802.56.2000, 4802.56.3000, 4802.56.4000, 4802.56.6000, 4802.56.7020, 4802.56.7040, 4802.57.1000, 4802.57.2000, 4802.57.3000, and 4802.57.4000. Some imports of subject merchandise may also be classified under 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.5000, 4802.62.6020, 4802.62.6040, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4811.90.8050 and 4811.90.9080. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

VI. 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 March 17, 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 uncoated paper from, \textit{inter alia}, the PRC.\(^{45}\)

\(^{44}\) One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade. “Colored paper” as used in this scope definition means a paper with a hue other than white that reflects one of the primary colors of magenta, yellow, and cyan (red, yellow, and blue) or a combination of such primary colors.

\(^{45}\) See USITC Publication 4522 (March 2015), entitled \textit{Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal: Investigation Nos. 701-TA-528-529 and 731-TA-1264-1268 (Preliminary)}; and \textit{Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal}, 80 FR 13890 (March 17, 2015).
VII. 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.\(^\text{46}\) In *CFS from the PRC*, the Department found that:

> given the substantial differences between the Soviet-style economies and China’s economy in recent years, the Department’s previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China.\(^\text{47}\)

The Department affirmed its decision to apply the CVD law to the PRC in numerous subsequent determinations.\(^\text{48}\) 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 countries designated as non-market economies under section 771(18) of the Act, such as the PRC.\(^\text{49}\) The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.\(^\text{50}\) Additionally, for the reasons stated in *CWP from the PRC*, we are using the date of December 11, 2001, the date on which the PRC became a member of the World Trade Organization (WTO), as the date from which the Department will identify and measure subsidies in the PRC for purposes of CVD investigations.\(^\text{51}\)

VIII. SUBSIDIES VALUATION

A. Allocation Period

The Department normally allocates the benefits from non-recurring subsidies over the average useful life (AUL) of renewable physical assets used in the production of subject merchandise.\(^\text{52}\) The Department finds the AUL in this proceeding to be 13-years, pursuant to 19 CFR 351.524(d)(2) and the U.S. Internal Revenue Service’s 1977 Class Life Asset Depreciation Range System.\(^\text{53}\) The Department notified the respondents of the 13-year AUL in the initial questionnaire and requested data accordingly.\(^\text{54}\) No party in this proceeding disputes this allocation period.

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\(^{47}\) Id.

\(^{48}\) See *Circular Welded Carbon Quality Steel Line Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961 (November 24, 2008) (*CWP from the PRC*) and accompanying IDM at Comment 16.

\(^{49}\) Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

\(^{50}\) See Public Law 112-99, 126 Stat. 265 §1(b).

\(^{51}\) See *CWP from the PRC* and accompanying IDM at Comment 2.

\(^{52}\) See 19 CFR 351.524(b).


\(^{54}\) See Letter from the Department to the GOC regarding “Initial Questionnaire” (March 24, 2015) at “Section II – Program Specific Questions.”
Furthermore, for non-recurring subsidies, we have applied the “0.5 percent test,” as described in 19 CFR 351.524(b)(2). Under this test, we divide the amount of subsidies approved under a given program in a particular year by the relevant sales value (e.g., total sales or export sales) for the same year. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than across the AUL.

B. Attribution of Subsidies

Cross Ownership: In accordance with 19 CFR 351.525(b)(6)(i), the Department normally attributes a subsidy to the products produced by the company that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provides additional rules for the attribution of subsidies received by respondents with cross-owned affiliates. Subsidies to the following types of cross-owned affiliates are covered in these additional attribution rules: (ii) producers of the subject merchandise; (iii) holding companies or parent companies; (iv) producers of an input that is primarily dedicated to the production of the downstream product; or (v) an affiliate producing non-subject merchandise that otherwise transfers a subsidy to a respondent.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This section of the Department’s regulations states that this standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. The CVD Preamble to the Department’s regulations further clarifies the Department’s cross-ownership standard. According to the CVD Preamble, relationships captured by the cross-ownership definition include those where:

the interests of two corporations have merged to such a degree that one corporation can use or direct the individual assets (or subsidy benefits) of the other corporation in essentially the same way it can use its own assets (or subsidy benefits) . . . Cross-ownership does not require one corporation to own 100 percent of the other corporation. Normally, cross-ownership will exist where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. In certain circumstances, a large minority voting interest (for example, 40 percent) or a “golden share” may also result in cross-ownership.  

Thus, the Department’s regulations make clear that the agency must look at the facts presented in each case in determining whether cross-ownership exists. The U.S. Court of International Trade (CIT) has upheld the Department’s authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.  

Asia Symbol Companies

During the POI, AS Guangdong, AS Shandong, and AS Omya were directly or indirectly, partially or wholly owned by the same shareholders. Under 19 CFR 351.525(b)(6)(vi), cross-ownership exists between corporations if one corporation can use or direct the individual assets of the other corporation(s) in essentially the same way it uses its own. This section of the Department’s regulations states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations. Based on the information supplied by Asia Symbol Companies that indicated AS Guangdong, AS Shandong, and AS Omya are owned by the same shareholder parent, we preliminarily determine that AS Guangdong, AS Shandong, and AS Omya are cross-owned under 19 CFR 351.525(b)(6)(vi). AS Guangdong is a producer of the subject merchandise and AS Shandong and AS Omya are input producers. Consequently, the subsidies received by these companies are attributed according to the rules established in 19 CFR 351.525(b)(6)(ii) and (iv), respectively.

C. Denominators

In accordance with 19 CFR 351.525(b), the Department considers the basis for the respondent’s receipt of benefits under each program when attributing subsidies, e.g., to the respondent’s export or total sales. In the sections below, we describe the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.

In its response, the Asia Symbol Companies reported that, in addition to domestic sales, they produce uncoated paper on a toll basis to a third-country trading company that subsequently sells the merchandise to foreign markets. In our first supplemental questionnaire, we requested the Asia Symbol Companies to provide additional information concerning its tolled sales. In particular, we sought additional information concerning the mark-up charged by the third-country trading company. In its response, the Asia Symbol Companies reported the tollee for each respective company did not charge a mark-up on the ultimate export price of merchandise produced by AS Guangdong or AS Shandong because there was no sale between the companies and their tollees. Based on the information provided by the Asia Symbol Companies, we preliminarily determine that the third-country trading company did not charge a mark-up on the merchandise produced by the Asia Symbol Companies. As a result, we have preliminarily determined to calculate the sales denominator used in our subsidy calculation based on the sales values attributable to the Asia Symbol Companies.

57 See Asia Symbol Companies’ Affiliation Response.
58 See AS Guangdong IQR at 10 – 12 and AS Guangdong 1SQR at 1 – 3; see also AS Shandong IQR at 10 – 13 and AS Shandong 1SQR at 1 – 5.
59 See AS 1SQ at 3 - 4.
60 See AS Shandong 1SQR at 4 and AS Guangdong 1SQR at 2 and 3. See also Circular Welded Austenitic Stainless Pressure Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination, 74 FR 4936 (January 28, 2009) (CWASPP from the PRC) and accompanying Issues and Decision Memorandum (CWASPP IDM) at 11 and 12 for a discussion of the criteria to adjust sales denominator.
IX. BENCHMARKS AND DISCOUNT RATES

The Department is investigating loans received by the respondent from PRC policy banks and state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies. The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

A. Short-Term 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. 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.”

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. For the reasons first explained in CFS from the PRC, loans provided by 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 PRC or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). For the same reasons, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). Therefore, because of the special difficulties inherent in using a PRC benchmark for loans, the Department is selecting an external market-based benchmark interest rate. The use of an external benchmark is consistent with the Department’s practice. For example, in Lumber from Canada, the Department used U.S. timber prices to measure the benefit for government-provided timber in Canada.

In past proceedings involving imports from the PRC, we calculated the external benchmark using the methodology first developed in CFS from the PRC and more recently updated in Thermal Paper from the PRC. 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

61 See 19 CFR 351.524(b)(1).
64 See CFS from the PRC and accompanying IDM at Comment 10 pages 62 to 72; see also Memorandum to the File from Patricia Tran, International Trade Compliance Analyst, “Countervailing Duty Investigation of Certain Uncoated Paper from the People’s Republic of China: Banking Memorandum,” dated June 22, 2015 (Banking Memorandum).
65 See Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products from Canada, 67 FR 15545 (April 2, 2002) (Softwood Lumber from Canada) and accompanying Issues and Decision Memorandum (Softwood Lumber IDM) at “Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.”
66 See CFS from the PRC and accompanying IDM at Comment 10.
countries as: low income; lower-middle income; upper-middle income; and high income. As explained in *CFS from the PRC*, this pool of countries captures the broad inverse relationship between income and interest rates. For 2001 through 2009, the PRC fell in the lower-middle income category. Beginning in 2010, however, the PRC is in the upper-middle income category and remained there from 2011 to 2012. Accordingly, as explained further below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2001-2009, and we used the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2012. This is consistent with the Department’s calculation of interest rates for recent CVD proceedings involving PRC merchandise.

After the Department identifies 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 of the years from 2001-2009 and 2011-2012, the results of the regression analysis 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 us 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 2001-2009 and 2011-2012. 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 2010-2012 and “lower middle income” for 2001-2009. First, we did not include those economies that the Department considered to be non-market economies for AD purposes for any part of the years in question, for example: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Turkmenistan. Second, the

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69 *See World Bank Country Classification.*


71 The World Bank has not yet published the World Governance Indicators for 2014. Therefore, for this preliminary determination, we have applied the 2013 short-term benchmark rate for situations that require a 2014 short-term benchmark. We intend to update the short-term benchmark if the World Bank releases all necessary information in time for us to analyze it prior to the final determination.

72 *See Memorandum to the File from Patricia Tran, International Trade Compliance Analyst, “Countervailing Duty Investigation of Certain Uncoated Paper from the People’s Republic of China: Interest Rate Benchmark Memorandum,” dated June 22, 2015 (Interest Rate Benchmark Memorandum).*

73 *Id.*
pool necessarily excludes any country that did not report both lending and inflation rates to IFS for those years. Third, we removed any country that reported a rate that was not a lending rate or that based its lending rate on foreign currency-denominated instruments. For example, Jordan reported a deposit rate, not a lending rate, and the rates reported by Ecuador and Timor L’Este are dollar-denominated rates; therefore, the rates for these three countries have been excluded. Finally, for each year the Department calculated an inflation-adjusted short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question. Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.

B. Long-Term RMB-Denominated Loans

The lending rates reported in the IFS represent short- and medium-term lending, and there are not sufficient publicly available long-term interest rate data upon which to base a robust benchmark for long-term loans. To address this problem, the Department developed an adjustment to the short- and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates.

In *Citric Acid from the PRC 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. Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.

C. Foreign Currency-Denominated Loans

To calculate benchmark interest rates for foreign currency-denominated loans, the Department is following the methodology developed over a number of successive PRC investigations. For U.S. dollar short-term loans, the Department used as a benchmark the one-year dollar London Interbank Offering Rate (LIBOR), plus the average spread between LIBOR and the one-year corporate bond rate for companies with a BB rating. Likewise, for any loans denominated in other foreign currencies, we used as a benchmark the one-year LIBOR for the given currency plus the average spread between the LIBOR rate and the one-year corporate bond rate for companies with a BB rating.

For any long-term foreign currency-denominated loans, the Department added the applicable short-term LIBOR rate to a spread which is calculated as the difference between the one-year BB bond rate and the n-year BB bond rate, where “n” equals or approximates the number of years of

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74 Id.
75 Id.
76 See, e.g., *Thermal Paper from the PRC*, and *Thermal Paper IDM at 10.*
77 See *Citric Acid and Certain Citrate Salts From the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009) (*Citric Acid from the PRC Investigation*) and accompanying Issues and Decision Memorandum (Citric Acid Investigation IDM) at Comment 14.
78 See Preliminary Calculation Memorandum.
the term of the loan in question. The resulting inflation-adjusted benchmark lending rates are provided in our Interest Rate Benchmark Memorandum.\textsuperscript{79}

D. Discount Rates

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided non-recurring subsidies.\textsuperscript{80} The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Preliminary Calculation Memorandum.\textsuperscript{81}

X. 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, use the “facts otherwise available” if necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

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

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 adverse facts available (AFA) rule to induce respondents to provide the Department with complete and accurate information in a timely manner.”\textsuperscript{82} 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.”\textsuperscript{83}

GOC – Calcium Carbonate and Coal Markets Are Distorted by the Significant Government Presence

The Department requested the GOC to provide information concerning calcium carbonate, caustic soda, and coal in the PRC for the POI and the previous two years. Specifically, we requested the GOC to provide the following information:\textsuperscript{84}

\textsuperscript{79} See Interest Rate Benchmark Memorandum.
\textsuperscript{80} See Preliminary Calculation Memorandum.
\textsuperscript{81} Id.
\textsuperscript{82} See 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).
\textsuperscript{84} See the Department’s IQ at the input producer appendix and 1SQ at 4, 6, and 9.
a. The total number of producers.
b. The total volume and value of Chinese domestic consumption of \{input\} and the total volume and value of Chinese domestic production of \{input\}.
c. The percentage of domestic consumption accounted for by domestic production.
d. The total volume and value of imports of \{input\}.
e. The total volume and value of domestic production that is accounted for by companies in which the Government maintains an ownership or management interest either directly or through other Government entities.
f. A discussion of what laws, plans or policies address the pricing of \{input\}, the levels of production of \{input\}, the importation or exportation of \{input\}, or the development of \{input\} capacity. Please state which, if any, central and sub-central level industrial policies pertain to the \{input\} industry.

The Department requests such information to determine the government’s role in the relevant input market and whether the GOC is the predominant provider of these inputs in the PRC and whether its significant presence in the market distorts all domestic transaction prices. The GOC stated that it does not maintain records on calcium carbonate and coal, rendering the identification of producers in which the GOC maintains an ownership or management interest either directly or through other government entities extremely difficult.\(^85\) The GOC, with information from the industry association, provided the total volume and value of domestic consumption and production of calcium carbonate and coal.\(^86\) The GOC, with information from the General Administration of Customs of the People’s Republic of China (Customs) and the National Bureau of Statistics (SSB), provided the total volume and value of domestic consumption, production, and imports of caustic soda.\(^87\) The Department issued a supplemental questionnaire requesting the GOC to provide the number of input producers in which the Government maintains an ownership or management interest.\(^88\) The GOC responded that it, “does not maintain information regarding the number or ownership,” of calcium carbonate and coal producers.\(^89\) In a previous investigation,\(^90\) however, the Department was able to confirm at verification that the GOC maintains two databases at the State Administration of Industry and Commerce (SAIC): one is the business registration database, showing the most up-to-date company information; while a second system, “ARCHIVE,” houses electronic copies of documents such as business licenses, annual reports, capital verification reports, etc. The GOC is able to utilize the SAIC database which indicates the type of enterprise, e.g., solely-state owned, in conjunction with information from the industry association to determine the number and ownership of calcium carbonate and coal producers.\(^91\) On this basis, we preliminarily

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\(^{85}\) See GOC IQR at 57 and 88; 1SQR at 4, 5, and 16.
\(^{86}\) Id., at 56 and 87
\(^{87}\) Id., at 73.
\(^{88}\) See the Department’s 1SQ at 4, 6, and 9.
\(^{89}\) See GOC 1SQ at 4 and 16.
\(^{91}\) See GOC IQR at 56, 87 and Exhibit 34.
determine that the GOC has an electronic system available to it to gather industry specific information the Department requested.\footnote{See Memorandum to the File from Patricia M. Tran, “Additional Documents for the Preliminary Determination,” dated concurrently with this Decision Memorandum (Additional Documents for Prelim Memorandum) at Attachment II.}

Therefore, we preliminarily determine that the GOC withheld necessary information that was requested of it and, thus, that the Department must rely on “facts available” in making our preliminary determination.\footnote{See section 776(a)(2)(A) of the Act.} Moreover, we preliminarily determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available.\footnote{See section 776(b) of the Act.} In drawing an adverse inference, we preliminarily find that PRC prices from actual transactions involving Chinese buyers and sellers are significantly distorted by the involvement of the GOC.\footnote{See Preamble to Countervailing Duty Regulations, 63 FR 65348, 65377 (November 25, 1998) (Preamble).} Therefore, we preliminarily find that the use of an external benchmark is warranted for calculating the benefit for the provision of calcium carbonate and coal for less than adequate remuneration (LTAR).

For details regarding the remaining elements of our analysis, see the “Provision of Calcium Carbonate and Coal for LTAR” section below.

GOC – Provision of Calcium Carbonate and Caustic Soda is Specific to the Paper Industry in China

The Department requested the GOC to provide a list of industries in the PRC that purchase calcium carbonate and caustic soda directly and to provide the amounts (volume and value) purchased by each of the industries, including the paper industry.\footnote{See Department’s IQ at II-8, II-10, and II-11.} The Department requests such information for purposes of its de facto specificity analysis. In the narrative section of its questionnaire response, the GOC, citing data from an industry association, submitted information listing the relative consumption, by industry, of calcium carbonate and caustic soda.\footnote{See GOC IQR at 59 and 76.} In a supplemental questionnaire, the Department requested the GOC to substantiate the information in its narrative response, namely to provide volume and value data corresponding to each of the industries that consumed calcium carbonate and caustic soda.\footnote{See Department’s 1SQ at 3, 4, and 6.} To that request, the GOC indicated that it based the industry consumption data in its initial response on the “estimates” of “experienced experts” of each respective industry.\footnote{See GOC 1SQR at 2 and 9.}

We preliminarily determine that the “estimated” consumption information submitted by the GOC, is not verifiable and therefore unreliable.\footnote{Id.} We further preliminarily determine that the GOC has withheld necessary information with regards to the volume and value data corresponding to each of the industries that consumed calcium carbonate and caustic soda that
was requested of it and, thus, that the Department must rely on “facts available” in making our preliminary determination.\textsuperscript{101} Moreover, we preliminarily determine that the GOC has failed to cooperate by not acting to the best of its ability to comply with our request for information that corroborates the industry consumption information contained in the narrative section of its initial questionnaire response. Consequently, for purposes of the preliminary determination, we find that an adverse inference is warranted in the application of facts available.\textsuperscript{102} In drawing an adverse inference, we find that the GOC’s provision of calcium carbonate and caustic soda to paper producers is specific within the meaning of section 771(5A) of the Act. The Department’s preliminary determination that the subsidies under these programs are specific is supported by the Department’s determinations regarding the GOC’s provision of calcium carbonate and caustic soda for LTAR in \textit{2011 Citric Acid Review}\textsuperscript{103} and \textit{2012 Citric Acid Review}.\textsuperscript{104}

For details regarding the remaining elements of our analysis, see the “Provision of Calcium Carbonate and Caustic Soda for LTAR” section below.

\textbf{GOC – Certain Input Providers Are GOC Authorities}

In the initial questionnaire, we requested ownership information from the GOC about the companies that produced calcium carbonate, caustic soda, and coal purchased by the Asia Symbol Companies.\textsuperscript{105} We notified the GOC that the Department generally treats producers that are majority owned by the government or a government entity as controlled by the government and, hence, as “authorities” within the meaning of section 771(5)(B) of the Act. However, for those majority government-owned companies that the GOC argues are not “authorities” and for each producer that is not majority owned by the government, we instructed the GOC to answer all questions in the “Information Regarding Input Producers in the PRC” Appendix (Input Producer Appendix).

The GOC responded that Asia Symbol Companies purchased caustic soda from six producers; calcium carbonate from seven producers; and coal from four producers. With regard to eight producers, the GOC did not challenge the Department’s “authority” practice for enterprises that are majority owned by the government or a government entity. The GOC attempted to provide ownership information for five producers, wholly or partially owned by Chinese individuals or entities. However, the GOC failed to respond to section IV of the Input Producer Appendix regarding the presence of Chinese Communist Party (CCP) officials and organizations within those companies.\textsuperscript{106} Instead, the GOC stated that the Department’s CCP questions are not relevant to the investigation of the LTAR program and that, as a matter of PRC law, the government cannot interfere in the management and operation of the suppliers of raw

\textsuperscript{101} See sections 776(a)(1) and 776(a)(2)(A) of the Act.
\textsuperscript{102} See section 776(b) of the Act.
\textsuperscript{104} See \textit{Citric Acid and Certain Citrate Salts From the People’s Republic of China:Final Results of Countervailing Duty Administrative Review; 2012}, 79 FR 78799 (December 31, 2014) (\textit{2012 Citric Acid Review}), and accompanying Issues and Decision Memorandum (2012 Citric Acid IDM) at Comment 5A.
\textsuperscript{105} See Department’s IQ at II-7, II-10, and III-14.
\textsuperscript{106} See GOC IQR at 47 – 51, and 68.
The GOC explained its view that the CCP, the People’s Congress, and the Chinese People’s Political Consultative Conference are not governmental bodies. The GOC also stated that “because the 9 entities are not governmental bodies, the GOC cannot require them to provide the requested information.” Furthermore, the GOC stated that “{t}here is no central informational database to search for the requested information and the industry and commerce administration does not require companies to provide such information.”

In the 1SQ, we asked the GOC to provide a response to those questions in section IV of the Input Producer Appendix which it did not answer in the initial questionnaire response. In its 1SQR, the GOC reiterated its initial questionnaire response, stating that “the nine entities in this question are not governmental bodies.”

Regarding the GOC’s objection to the Department’s questions about the role of CCP officials and organizations in the management and operations of raw material suppliers, we have explained our understanding of the CCP’s involvement in the PRC’s economic and political structure in a past proceeding. The Department has previously determined that “available information and record evidence indicates that the CCP meets the definition of the term ‘government’ . . . for the limited purpose of applying the U.S. CVD law to China.” Additionally, publicly available information indicates that Chinese law requires the establishment of CCP organizations “in all companies, whether state, private, domestic, or foreign-invested” and that such organizations may wield a controlling influence in the company’s affairs. With regard to the GOC’s claim that Chinese law prohibits GOC officials from taking positions in private companies, we have previously found that this particular law

107 Id.
108 Id., at 48.
109 Id., at 51.
110 See GOC 1SQR at 5 and 12.
111 See Department’s 1SQ at 4 – 5 and 7 – 8.
112 See GOC 1SQR at 5 and 12.
113 See Memorandum to the File from Patricia M. Tran, “Additional Documents for the Preliminary Determination,” dated June 22, 2015 (Additional Documents Memorandum), which includes Memorandum for Paul Piquado, Assistant Secretary for Import Administration, through Lynn Fischer Fox, Deputy Assistant Secretary for AD/CVD Policy and Negotiation, Christian Marsh, Deputy Assistant Secretary for AD/CVD Operations, and John D McInerney, Chief Counsel for Import Administration, from Shauna Biby, Christopher Cassel, Timothy Hruby, Office of Policy, Import Administration, “Section 129 Determination of the Countervailing Duty Investigation of Circular Welded Carbon Quality Steel Pipe; Light-Walled Rectangular Pipe and Tube; Laminated Woven Sacks; and Off-the-Road Tires from the People’s Republic of China: An Analysis of Public Bodies in the People’s Republic of China in Accordance with the WTO Appellate Body's Findings in WTO DS379,” dated May 18, 2012 (Public Body Memorandum); and its attachment, Memorandum for Paul Piquado, Assistant Secretary for Import Administration, through Lynn Fisher Fox, Deputy Assistant Secretary for AD/CVD Policy and Negotiation, Christian Marsh, Deputy Assistant Secretary for AD/CVD Operations, and John D McInerney, Chief Counsel for Import Administration, from Shauna Biby, Christopher Cassel, Timothy Hruby, Office of Policy, Import Administration, “The relevance of the Chinese Communist Party for the limited purpose of determining whether particular enterprises should be considered to be ‘public bodies’ within the context of a countervailing duty investigation,” dated May 18, 2012 (CCP Memorandum).
114 Id., at CCP Memorandum at 33.
115 Id., at Public Body Memorandum at 35-36 and sources cited therein.
does not pertain to CCP officials. The GOC also claims that government and CCP officials are not eligible to hold positions in enterprises citing to “Company Law” and the “Civil Servant Law.” The GOC’s argument, however, is contradicted by the Department’s finding in a past proceeding that CCP officials can, in fact, serve as owners, members of the board of directors, or senior managers of companies.

Thus, the Department finds, as it has in other PRC CVD proceedings, that the information requested regarding the role of CCP officials and CCP committees in the management and operations of the calcium carbonate and caustic soda producers, and in the management and operations of the producers’ owners, is necessary to our determination of whether the producer is an authority within the meaning of section 771(5)(B) of the Act.

Therefore, we preliminarily determine that the GOC has withheld necessary information that was requested of it and, thus, that the Department must rely on “facts otherwise available” in conducting our preliminary analysis of the calcium carbonate and caustic soda producers. Moreover, we preliminarily determine that the GOC has failed to cooperate by not acting to the best of its ability to comply with our request for information. By stating that the requested information is not relevant, the GOC has placed itself in the position of the Department, and only the Department can determine what is relevant to this investigation. Furthermore, by stating that it is unable to obtain the information because in its view the CCP is not the government, the GOC is substantially non-responsive. The GOC would have the Department reach its determination on the role of the CCP based solely on the unsupported, conclusory statements of the GOC. As this constitutes a failure to cooperate to the best of its ability, we find that an adverse inference is warranted in the application of facts available. As AFA, we infer that CCP officials are present as managers or directors of these five producers, and, because the CCP

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116 See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Circumstances Determination, 75 FR 57444 (September 21, 2010), and the accompanying Issues and Decision Memorandum (Seamless Pipe Decision Memorandum) at 16.
117 See GOC IQR at Exhibit 26 and 27.
118 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) (“PC Strand from the PRC”) and accompanying Issues and Decision Memorandum (PC Strand IDM) at Comment 8 (“{i}n the instant investigation, the information on the record indicates that certain company officials are members of the Communist Party and National Party Conference as well as members of certain town, municipal, and provincial level legislative bodies.”)
119 See section 776(a)(2)(A) of the Act.
120 See Ansaldo Componenti, S.p.A. v. United States, 628 F. Supp. 198, 205 (CIT 1986) (stating that “{i}t is Commerce, not the respondent, that determines what information is to be provided”). The Court in Ansaldo criticized the respondent for refusing to submit information which the respondent alone had determined was not needed, for failing to submit data which the respondent decided could not be a basis for the Department’s decision, and for claiming that submitting such information would be “an unreasonable and unnecessary burden on the company.” Id. See also Essar Steel Ltd. v. United States, 721 F. Supp. 2d 1285, 1298-99 (CIT 2010) (stating that “{t}he event that Commerce reached a different conclusion” and that “Commerce, and not Essar, is charged with conducting administrative reviews and weighing all evidence in its calculation of a countervailing duty margin”); NSK, Ltd. v. United States, 919 F. Supp. 442, 447 (CIT 1996) (“NSK’s assertion that the information it submitted to Commerce provided a sufficient representation of NSK’s cost of manufacturing misses the point that ‘it is Commerce, not the respondent, that determines what information is to be provided for an administrative review.’”); Nachi-Fujikoshi Corp. v. United States, 890 F. Supp. 1106, 1111 (CIT 1995) (“Respondents have the burden of creating an adequate record to assist Commerce’s determinations.”).
121 See section 776(b) of the Act.
is part of the governing structure in the PRC, we find that the GOC uses these five producers as instrumentalities to effectuate its policy goals. Accordingly, we preliminarily determine that these five producers (four calcium carbonate producers and one caustic soda producer) are “authorities” within the meaning of section 771(5)(B) of the Act.

**GOC – Other Subsidies**

In the initial questionnaire we instructed the Asia Symbol Companies and the GOC to coordinate with each other and to report to the Department any other forms of government assistance provided to the Asia Symbol Companies. In response, the Asia Symbol Companies, referencing their financial statements, self-reported that they received potentially countervailable subsidies in the form of government provided grants. Meanwhile, the GOC stated that pursuant to Article 11.2 of the WTO Agreement on Subsidies and Countervailing Measures (the SCM) the Department may not initiate an investigation of a subsidy program based on a “simple assertion” that is “unsubstantiated by relevant evidence.” It further stated that it was therefore premature to answer questions concerning the concerning the bestowal of any additional forms of assistance. In a supplemental questionnaire, we requested the GOC to provide information pertaining to the grants. The GOC’s supplemental response lacked the information necessary to conduct an analysis for specificity.

Consequently, for those grants that were numerically significant (i.e., grants received prior to the POI that were large enough to pass the “0.5 percent test” and those grants received during the POI that exceeded the 0.005 percent threshold for numerically significant subsidies) we sought further information from the companies about these grants, and also asked the GOC to provide information about the programs under which the grants were provided. With regard to Asia Symbol Companies’ grants, the Department normally relies on information from the government to assess program specificity; however, the GOC did not submit such information; nor did it provide an explanation why it was unable to obtain the information. Thus, where the Asia Symbol Companies submitted information (e.g., approval documentation) that indicates the specificity of a program, we relied upon that information to make our preliminary determination. However, where neither the Asia Symbol Companies nor the GOC provided information that would allow us to determine the specificity of a program, we relied upon AFA to make our preliminary determination. In particular, for those programs, we preliminarily determine that the GOC withheld necessary information that was requested of it and, thus, the Department must rely on facts available for this preliminary determination. Moreover, we preliminarily find that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information and that an adverse inference is warranted in

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122 See, generally, the Public Body Memorandum and CCP Memorandum.
123 See IQ at II-20 and III-21.
124 See AS Guangdong IQR at Exhibit 29 and AS Shandong IQR at Exhibit 35.
125 See GOC IQR at 98.
126 See Department’s 1SQ to GOC at 10.
127 Id. and 1SQ to Asia Symbol Companies at 4 and 6.
128 See GOC IQR at 98 and GOC 1SQR at 23.
129 See section 776(a)(2)(A) of the Act.
the application of facts available. Consequently, due to the GOC’s failure to provide the requested information about the programs under which the Asia Symbol Companies received grants, we are relying on an adverse inference that these grants are being provided to a specific enterprise or industry, or group of enterprises or industries.

UPM and Sun Paper

Sun Paper and UPM have refused to participate in the investigation. Further, as discussed above, the GOC has failed to respond to the Department’s CVD questionnaire with respect to these companies, thereby withholding necessary information requested by the Department, and significantly impeding the investigation. 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.

We find that an adverse inference is warranted, pursuant to section 776(b) of the Act because, by not responding to our questionnaire, Sun Paper, UPM and the GOC failed to cooperate by not acting to the best of their ability. Accordingly, our determination is based on 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.” 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.”

In this investigation, the Department is examining the programs on which we originally initiated the investigation. Because Sun Paper, UPM, 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, including those not used by the participating respondent, 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.

130 See section 776(b) of the Act.
131 See section 771(5A) of the Act.
133 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).
134 See Statement of Administrative Action (“SAA”) accompanying the Uruguay Round Agreements Act (URAA), H. Doc. 316, 103d Cong. 2d Session at 870 (1994).
135 See Initiation Checklist.
136 Id.
It is the Department’s practice in a CVD investigation to select, as AFA, the highest calculated rate for the identical subsidy program, or if no identical subsidy program with a subsidy rate above zero is available, then a similar program. Thus, under this practice, the Department computes the total AFA rate for non-cooperating companies generally using program-specific rates calculated for the cooperating respondents in the instant investigation or calculated in prior PRC CVD cases. Specifically, for programs other than those involving income tax exemptions and reductions, the Department applies the highest calculated rate for the identical program in the investigation if a responding company used the identical program, and the rate is not zero. If there is no identical program within the investigation where the rate is above zero, the Department looks for an above \textit{de minimis} rate for the identical program in another proceeding. Absent an above zero rate for the identical program, the Department uses the highest rate calculated for the same or similar program (based on treatment of the benefit) in another PRC CVD proceeding. Absent an above zero subsidy rate calculated for the same or similar program, the Department applies the highest calculated subsidy rate for any program otherwise listed that could conceivably be used by the non-cooperating companies.

Income tax programs are the exception to the practice described above. Under the standard AFA methodology that has been applied in past CVD investigations, 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 Sun Paper and UPM 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. 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 added tax (VAT) exemption programs because such programs may not affect the tax rate.

\footnotesize
\begin{enumerate}
\item See, \textit{e.g.}, \textit{Thermal Paper from the PRC} and Thermal Paper IDM at “Selection of the Adverse Facts Available Rate.”
\item See GOC IQR at 18.
\item See, \textit{e.g.}, \textit{Aluminum Extrusions Investigation} at “Application of Adverse Inferences: Non-Cooperative Companies.”
\end{enumerate}
Based on this methodology, we preliminarily determine that the AFA rate for the non-cooperative companies is 126.42 percent *ad valorem*.\(^{142}\)

As noted above, on May 13, 2015, Petitioners submitted new subsidy allegations, which the Department is currently examining in this investigation.\(^ {145}\) As explained in the “Programs for Which More Information is Necessary,” section of this memorandum, we require additional information from the GOC and the Asia Symbol Companies regarding these newly alleged programs. As a result, we have not included these programs in the AFA rate assigned to Sun Paper and UPM.

**Corroboration of Secondary Information Used to Derive AFA Rates**

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”\(^ {144}\) The Department considers information to be corroborated if it has probative value.\(^ {145}\) To corroborate secondary information, 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.\(^ {146}\)

With regard to the reliability aspect of corroboration, we note that the rates on which we are relying are subsidy rates calculated in this investigation or other PRC CVD final determinations. Further, the calculated rates were based on information about the same or similar programs. Moreover, no information has been presented that calls into question the reliability of these calculated rates that we are applying as AFA. Finally, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs.

With respect to the relevance aspect of corrobating the rates selected, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. Where circumstances indicate that the information is not appropriate as AFA, the Department will not use it.\(^ {147}\)

\(^{142}\) See attached Appendix. We are using a single rate for the programs Policy Loans to the Paper Industry and Preferential Loans to SOEs, because our analysis reveals that these programs would cover the same loans from SOCBs. See Non-Oriented Electrical Steel from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination, 70 FR 61607 (October 14, 2014), and accompanying Issues and Decision Memorandum.

\(^{143}\) See NSA Decision Memorandum.

\(^{144}\) See SAA at 870.

\(^{145}\) Id.

\(^{146}\) Id., at 869-870.

\(^{147}\) See, e.g., Fresh Cut Flowers from Mexico: Final Results of Antidumping Duty Administrative Review, 61 FR 6812 (February 22, 1996).
In the absence of record evidence concerning the programs under investigation resulting from the non-cooperative companies’ decision not to participate in the investigation, we reviewed the information concerning PRC subsidy programs in this and other cases. For those programs for which the Department found a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs under investigation in this case. For the programs for which there is no program-type match, we selected the highest calculated subsidy rate for any PRC program from which the non-cooperative companies could receive a benefit to use as AFA. The relevance of these rates is that they are actual calculated CVD rates for a PRC program from which the non-cooperative companies could actually receive a benefit. Further, these rates were calculated for periods close to the POI. Moreover, the failure of these companies to respond to the Department’s request for information “resulted in an egregious lack of evidence on the record to suggest an alternative rate.”

Due to the lack of participation by the non-cooperative companies and the resulting lack of record information concerning their use of programs under investigation, the Department corroborated the rates it selected to the extent practicable.

XI. ANALYSIS OF PROGRAMS

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

A. Programs Preliminarily Determined to Be Countervailable

1. Policy Loans to the Paper Industry

In the CVD investigation of CFS from the PRC, the Department found that, “the GOC has a policy in place to encourage and support the growth and development of the paper industry through preferential financing initiatives, as illustrated in the five-year plans and industrial policies on the record.” The Department further determined that, “loans provided by Policy Banks and state-owned commercial banks (SOCBs) in the PRC constitute a direct financial contribution from the government…” In Thermal Paper from the PRC and Coated Paper from the PRC, the Department affirmed its earlier finding and extended it through its period of investigation. Based on the record of the instant investigation, the Department preliminarily determines that the five-year plans and industrial policies for the paper-making industry have continued or been renewed. Specifically, we find that the Papermaking Industry Development “12th Five-Year” Plan (12th Five-Year Plan), enacted in December 2011, the Papermaking Industry Development Policy (2007) and the Order of the State Development Planning Commission and the State Economic and Trade Commission on Distributing the List of Industries, Products and Technologies Currently Encouraged by the State for Development

149 See CFS from the PRC and CFS from the PRC IDM at 9 and 49.
150 See Thermal Paper from the PRC) and Thermal Paper IDM at 11 and 12; see also Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, 75 FR 59212 (September 27, 2010) (Coated Paper from the PRC) and accompanying Issues and Decision Memorandum (Coated Paper IDM) at 12.
151 See GOC’s IQR at Exhibit 7.
(2000) (Order of the State Development),¹⁵² together indicate that the GOC has in place a policy to promote specifically the pulp and paper industry, including by providing lending to this industry.

For example the stated objective of the 12th Five-Year Plan is to, “{s}trengthen investment and open up financing channels,” by “expanding indirect financing in the papermaking industry, gradually increase the proportion of direct financing. Further increase the scales of loans provided by commercial banks. Encourage and guide financial institutions to lay stress on supporting the projects and enterprises with powerful economic strength and enormous market potential.”¹⁵³ The Papermaking Industry Development Policy, “{e}ncourage {s} eligible pulping and papermaking enterprises to raise capital through public offering and issuance of corporate bonds. Domestic financial institutions, especially policy banks, should provide financial supports to construction projects by the national large-scale backbone pulping and papermaking enterprises.”¹⁵⁴ Further, the Order of the State Development urges the papermaking industry to develop towards large bases and on a large scale.¹⁵⁵

Therefore, given the evidence demonstrating the GOC’s objective of developing the papermaking industry, through preferential loans, we preliminarily determine there is a program of preferential policy lending specific to paper producers within the meaning of section 771(5A)(D)(i) of the Act. We also preliminarily find that loans from SOCBs under this program constitute financial contributions, pursuant to sections 771(5)(B)(i) and 771(5)(D)(i) of the Act, because SOCBs are “authorities.”¹⁵⁶ We note that the Asia Symbol Companies received loans from foreign-owned banks located outside of China. We preliminarily determine these entities are not “authorities” and have excluded these loans from the benefit calculation¹⁵⁷. The loans provide a benefit equal to the difference between what the recipients paid on their loans and the amount they would have paid on comparable commercial loans.¹⁵⁸ To calculate the benefit from this program, we used the benchmarks discussed above under the “Subsidy Valuation Information” section.¹⁵⁹

We attributed benefits under this program to the total consolidated sales of the Asia Symbol Companies (exclusive of intercompany sales), as discussed in the “Attribution of Subsidies” section above. On this basis, we preliminarily determine a subsidy rate of 0.48 percent ad valorem for the Asia Symbol Companies.

¹⁵² Id., at Exhibit 8.
¹⁵³ Id., at Exhibit 7.
¹⁵⁴ Id.
¹⁵⁵ Id., at Exhibit 9.
¹⁵⁷ See Preliminary Determination Calculation Memorandum.
¹⁵⁸ See section 771(5)(E)(ii) of the Act.
¹⁵⁹ See also 19 CFR 351.505(c).
2. **Provision of Calcium Carbonate for LTAR**

The Department is investigating whether GOC authorities provided calcium carbonate to producers of uncoated paper for LTAR. As instructed in the Department’s questionnaires, the Asia Symbol Companies identified the suppliers and producers from whom they purchased calcium carbonate during the POI. In addition, they reported the date of payment, quantity, unit of measure, and purchase price for calcium carbonate purchased during the POI.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, we are relying on AFA to preliminarily determine that the provision of calcium carbonate for LTAR is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the industries that used/consumed calcium carbonate and the associated volume data for the years 2012, 2013, and 2014.

Six producers provided calcium carbonate to the Asia Symbol Companies. Two producers are wholly-foreign owned.\(^{160}\) There is no evidence on the record indicating that these wholly-foreign owned entities possess, exercise or are vested with governmental authority. Therefore, we preliminarily determine that these producers are not “authorities.” With the regard to the remaining four producers, as discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, we are relying on AFA to preliminarily determine these producer to be “authorities” and capable of providing a financial contribution.\(^{161}\)

Under 19 CFR 351.511(a)(2), the Department sets forth the basis for identifying appropriate market-determined benchmarks for measuring the adequacy of remuneration for government-provided goods or services. These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation (e.g., actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation.\(^{162}\) This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

Based on the hierarchy established above, we must first determine whether there are market prices from actual sales transactions involving Chinese buyers and sellers that can be used to determine whether the GOC authorities sold calcium carbonate to the respondents for LTAR. Notwithstanding the regulatory preference for the use of prices stemming from actual transactions in the country, where the Department finds that the government provides the majority, or a substantial portion of the market for a good or service, prices for such goods and services in the country will be considered significantly distorted and will not be an appropriate

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\(^{160}\) See GOC IQR at Exhibit 23E, 23F, 24, and 25. See also Preliminary Determination Calculation Memorandum.

\(^{161}\) See section 771(5)(D)(iii) of the Act.

\(^{162}\) See also Softwood Lumber from Canada, and Softwood Lumber IDM at “Market-Based Benchmark.”
basis of comparison for determining whether there is a benefit. 163

Also discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, we are relying on AFA to preliminarily determine that actual transaction prices, including any import prices for calcium carbonate in the PRC are significantly distorted by the government’s involvement in the market.

Given that we have preliminarily determined that no tier one benchmark prices are available, we next evaluated information on the record to determine whether there is a tier two world market price available to producers of subject merchandise in the PRC.

The Department, Petitioners and Asia Symbol Companies have placed on the record information to construct a benchmark from GTA. 164 The GTA data contain calcium carbonate volume and value data, by country, on an HTS-specific basis. The Department’s regulations at 19 CFR 351.511(a)(2)(ii) state that where there is more than one commercially available world market price, the Department will average the prices to the extent practicable. Based on the facts of this case, the Department weight-averaged the prices to calculate a single benchmark by month. The Asia Symbol Companies reported their input purchases on an HTS specific basis. Therefore, in order to derive the benchmark, we calculated HTS-specific benchmarks that correspond to the HTS categories of calcium carbonate purchased by the Asia Symbol Companies during the POI. Our approach in this regard is consistent with the Department’s practice of deriving benchmark prices by grade when such data are available and when the record evidence indicates that the respondent firm purchases the good in question on a grade specific basis. 165

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Accordingly, in deriving the benchmark prices, we included international freight and inland freight. The international ocean freight rates used are an average of the freight rates submitted on the record by Petitioners, which reflects ocean freight pricing data from Maersk, for the POI. 166 The Asia

164 See DOC Benchmark Information, Petitioners’ First Benchmark Information, Asia Symbol Companies’ Benchmark Information, Petitioners’ Second Benchmark Information, and Petitioners’ Rebuttal Benchmark Information.
165 See Certain Steel Wheels From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination, 77 FR 17017 (March 23, 2012) (Steel Wheels from the PRC), and accompanying Issues and Decision Memorandum (Steel Wheels IDM) at Comment 15; see also CWASPP from the PRC and CWASPP IDM at “Provision of SSC for LTAR” (where the Department compared prices by steel grade); Certain Hot-Rolled Carbon Steel Flat Products from India: Final Results of Countervailing Duty Administrative Review, 73 FR 40295 (July 14, 2008) (Hot Rolled India), and accompanying Issues and Decision Memorandum (Hot Rolled India IDM) at “Sale of High-Grade Iron Ore for LTAR” (where the Department conducted the benefit analysis on a lump-to-lump and fine-to-fine basis); and Notice of Final Results of Countervailing Duty Administrative Review: Certain Softwood Lumber Products from Canada, 70 FR 73448 (December 12, 2005) (Softwood Lumber from Canada II), and accompanying Issues and Decision Memorandum (Softwood Lumber II IDM) at “Calculation of Provincial Benefit” and “Methodology for Adjusting the Unit Prices of the Crown Stumpage Program Administered by the GOBC” (where the Department computed species-specific benefits).
166 See Petitioners’ Second Benchmark Information at Exhibit 1-3.
Symbol Companies also submitted ocean freight pricing data for the route Rotterdam to Shanghai, sourced from Maersk, for the POI.\textsuperscript{167} However, we preliminarily determine that there is sufficient information on the record to conclude that transporting calcium carbonate would incur the “special equipment service” delivery charge.\textsuperscript{168} Therefore, we have utilized only Petitioners’ ocean freight data. We averaged the international freight rates to derive the amount included in our benchmark.

The Asia Symbol Companies purchased calcium carbonate from domestic sources; therefore, for inland freight we relied on the Asia Symbol Companies’ reported inland freight expense to transport calcium carbonate from its plant to the port.\textsuperscript{169} Additionally, to derive the benchmark, we included import duties and the VAT applicable to imports of coal into the PRC as reported by the GOC.\textsuperscript{170} We did not include marine insurance. In prior CVD investigations involving the PRC, the Department found that while the PRC customs authorities impute an insurance cost on certain imports for purposes of levying duties and compiling statistical data, there is no evidence to suggest that PRC customs authorities require importers to pay insurance charges.\textsuperscript{171}

To calculate the benefit, we calculated the difference between the delivered world market price and the price that the Asia Symbol Companies paid for calcium carbonate, including delivery charges. We next divided the sum of the price differentials by the total consolidated sales of the Asia Symbol Companies (excluding inter-company sales). Comparing the adjusted benchmark prices to the prices paid by the Asia Symbol Companies for calcium carbonate during the POI, we preliminarily find that the GOC provided calcium carbonate for LTAR, and that a benefit exists in the amount of the difference between the benchmark price and the price that the companies paid.\textsuperscript{172} On this basis, we determine that the Asia Symbol Companies received a countervailable subsidy of 0.70 percent \textit{ad valorem} during the POI.

3. Provision of Caustic Soda for LTAR

The Department is investigating whether GOC authorities provided caustic soda to producers of uncoated paper for LTAR. As instructed in the Department’s questionnaires, the respondent companies identified the suppliers and producers from whom they purchased caustic soda during the POI. In addition, they reported the date of payment, quantity, unit of measure, and purchase price for caustic soda purchased during the POI.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, we are relying on AFA to preliminarily determine that the provision of caustic soda for LTAR is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the industries that used/consumed caustic soda and the associated volume data for the years 2012, 2013, and 2014.

\textsuperscript{167} See the Asia Symbol Companies Benchmark Information at Exhibit 6.

\textsuperscript{168} See Petitioners’ Second Benchmark Information at Exhibit 3.

\textsuperscript{169} See AS Guangdong IQR at 33 and AS Shandong IQR at 36.

\textsuperscript{170} See GOC IQR at 58.

\textsuperscript{171} See, \textit{e.g.}, \textit{PC Strand from the PRC}, and accompanying PC Strand IDM at Comment 13.

\textsuperscript{172} See 19 CFR 351.511(a).
Six producers provide caustic soda to the Asia Symbol Companies. The GOC indicated that four producers are majority government-owned enterprises.\textsuperscript{173} As explained in the Public Body Memorandum, majority state-owned enterprises in the PRC possess, exercise, or are vested with governmental authority.\textsuperscript{174} The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we preliminarily determine that these entities constitute “authorities” within the meaning of section 771(5)(B) of the Act and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act.\textsuperscript{175}

One producer is wholly-foreign owned.\textsuperscript{176} There is no evidence on the record indicating that this wholly-foreign owned producer possesses, exercises or is vested with governmental authority. We preliminarily determine that this producer is not an “authority.” With respect to the remaining producer, we discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above that we are relying on AFA to preliminarily determine this producer to be an “authority” and capable of providing a financial contribution.\textsuperscript{177}

Under 19 CFR 351.511(a)(2), the Department sets forth the basis for identifying appropriate market-determined benchmarks for measuring the adequacy of remuneration for government-provided goods or services. These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation (e.g., actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation.\textsuperscript{178} This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

Based on the hierarchy established above, we must first determine whether there are market prices from actual sales transactions involving Chinese buyers and sellers that can be used to determine whether the GOC authorities sold coal to the respondents for LTAR. Notwithstanding the regulatory preference for the use of prices stemming from actual transactions in the country, where the Department finds that the government provides the majority, or a substantial portion of the market for a good or service, prices for such goods and services in the country will be considered significantly distorted and will not be an appropriate basis of comparison for determining whether there is a benefit.\textsuperscript{179}

\textsuperscript{173} See GOC IQR at 63.  
\textsuperscript{174} See Public Body Memorandum.  
\textsuperscript{175} See Oil Country Tubular Goods from the People’s Republic of China; Final Results of Countervailing Duty Administrative Review; 2012, 79 FR 52301 (September 3, 2014) (OCTG from the PRC Final Results) and accompanying IDM at Comment 6.  
\textsuperscript{176} Id., at Exhibit 35-A, 36, 37 and GOC 1SQR at Exhibit 57. See also Preliminary Determination Calculation Memorandum.  
\textsuperscript{177} See section 771(5)(D)(iii) of the Act.  
\textsuperscript{178} See also Softwood Lumber from Canada, and Softwood Lumber IDM at “Market-Based Benchmark.”  
\textsuperscript{179} See Countervailing Duties; Final Rule, 63 FR 65348, 65377 (November 25, 1998).
In its IQR, the GOC provided information on the amount of caustic soda production and the percentage of companies in which the government maintain ownership or management interest either directly or through other government entities. The Department requested the GOC to provide supporting documentation to substantiate its claim and provide information for 2012 and 2013. The GOC provided information from the SSB indicating that the government maintains ownership levels at 56, 53, and 50 percent for 2012, 2013, and 2014 respectively. Consequently, because of the government’s significant involvement in the caustic soda industry and because import penetration is less than 0.1 percent from 2012 through 2014, we preliminarily determine that the private producer prices in the PRC are distorted and not suitable as market benchmarks, such that the use of private producer prices in the PRC would be akin to comparing the benchmark to itself (i.e., a benchmark would reflect the distortions of the government presence.) As such, we preliminarily determine that domestic prices in the PRC cannot serve as viable, tier one benchmark prices. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark. Accordingly, to determine whether the provision of caustic soda conferred a benefit within the meaning of section 771(5)(E)(iv) of the Act, consistent with the 2012 Citric Acid Review, we applied a tier two benchmark, i.e., world market prices available to purchasers in the PRC.

The Department, Petitioners and Asia Symbol Companies have placed on the record information to construct a benchmark from GTA. The GTA data contain caustic soda volume and value data, by country, on an HTS-specific basis. The Department’s regulations at 19 CFR 351.511(a)(2)(ii) state that where there is more than one commercially available world market price, the Department will average the prices to the extent practicable. Based on the facts of this case, the Department weight-averaged the prices to calculate a single benchmark by month. Asia Symbol Companies reported their input purchases on an HTS specific basis. Therefore, in order to derive the benchmark, we calculated HTS-specific benchmarks that correspond to the HTS categories of caustic soda purchased by the Asia Symbol Companies during the POI. As noted above, our approach in this regard is consistent with the Department’s practice of deriving benchmark prices by grade when such data are available and when the record evidence indicates that the respondent firm purchases the good in question on a grade specific basis.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or

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180 See GOC IQR at 74.
181 See GOC 1SQR at 9 and Exhibit 54.
182 See also Softwood Lumber from Canada, and Softwood Lumber IDM at “Market-Based Benchmark.”
183 See 2012 Citric Acid Review, and 2012 Citric Acid IDM at 26 through 28.
184 See DOC Benchmark Information, Petitioners’ First Benchmark Information, Asia Symbol Companies’ Benchmark Information, Petitioners’ Second Benchmark Information, and Petitioners’ Rebuttal Benchmark Information.
185 See Steel Wheels from the PRC, and Steel Wheels IDM at Comment 15; see also CWASPP from the PRC, and accompanying CWASPP IDM at “Provision of SSC for LTAR” (where the Department compared prices by steel grade); Hot Rolled India, and Hot Rolled India IDM at “Sale of High-Grade Iron Ore for LTAR” (where the Department conducted the benefit analysis on a lump-to-lump and fine-to-fine basis); and Softwood Lumber from Canada II, and accompanying Softwood Lumber II IDM at “Calculation of Provincial Benefit” and “Methodology for Adjusting the Unit Prices of the Crown Stumpage Program Administered by the GOBC” (where the Department computed species-specific benefits).
would pay if it imported the product, including delivery charges and import duties. Accordingly, in deriving the benchmark prices, we included international freight and inland freight. The international ocean freight rates used are an average of the freight rates submitted on the record by Petitioners. Petitioners placed on the record ocean freight pricing data from Maersk, for the POI.\textsuperscript{186} The Asia Symbol Companies also submitted ocean freight pricing data for the route Rotterdam to Shanghai, sourced from Maersk, for the POI.\textsuperscript{187} However, we preliminarily determine that there is sufficient information on the record to conclude that transporting caustic soda would incur the “dangerous cargo service” delivery charge.\textsuperscript{188} Therefore, we have utilized only Petitioners’ ocean freight data. We averaged the international freight rates to derive the amount included in our benchmark.

The Asia Symbol Companies purchased caustic soda from domestic sources; therefore, for inland freight we relied on the Asia Symbol Companies’ reported inland freight expense to transport caustic soda from its plant to the port.\textsuperscript{189} Additionally, to derive the benchmark, we included import duties and the VAT applicable to imports of caustic soda into the PRC as reported by the GOC.\textsuperscript{190} We did not include marine insurance. In prior CVD investigations involving the PRC, the Department found that while the PRC customs authorities impute an insurance cost on certain imports for purposes of levying duties and compiling statistical data, there is no evidence to suggest that PRC customs authorities require importers to pay insurance charges.\textsuperscript{191}

To calculate the benefit, we calculated the difference between the delivered world market price and the price that the Asia Symbol Companies paid for caustic soda, including delivery charges. We next divided the sum of the price differentials by the total consolidated sales of the Asia Symbol Companies (excluding inter-company sales). Comparing the adjusted benchmark prices to the prices paid by the Asia Symbol Companies for caustic soda during the POI, we preliminarily find that the GOC provided caustic soda for less than adequate remuneration, and that a benefit exists in the amount of the difference between the benchmark price and the price that the companies paid.\textsuperscript{192} On this basis, we determine that the Asia Symbol Companies received a countervailable subsidy of 0.36 percent \textit{ad valorem} during the POI.

4. Preferential Income Tax Program for High or New Technology Enterprises

Article 28 of the Enterprise Income Tax Law (EITL) authorizes a reduced income tax rate of 15 percent for high- and new-technology enterprises (HNTEs).\textsuperscript{193} The criteria and procedures for identifying eligible HTNEs are provided in the \textit{Measures on Recognition of High and New Technology Enterprises} (GUOKEFAHUO {2008} No. 172) (\textit{Measures on Recognition of HNTEs}) and the \textit{Guidance on Administration of Recognizing High and New Technology Enterprises}.

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\textsuperscript{186} See Petitioners’ Second Benchmark Information at Exhibit 5 – 7.
\textsuperscript{187} See the Asia Symbol Companies Benchmark Information at Exhibit 6.
\textsuperscript{188} See Petitioners’ Second Benchmark Information at Exhibit 3.
\textsuperscript{189} See AS Guangdong IQR at 35 and AS Shandong ISQR at 15 and Exhibit 11.
\textsuperscript{190} See GOC IQR at 75.
\textsuperscript{191} See, e.g., \textit{PC Strand from the PRC}, and accompanying PC Strand IDM at Comment 13.
\textsuperscript{192} See 19 CFR 351.511(a).
\textsuperscript{193} See GOC IQR at 11 and Exhibit 12 and 13.
Article 8 of the Measures on Recognition of HNTEs provides that the science and technology administrative departments of each province, autonomous region, and municipality directly under the central government or cities under separate state planning shall collaborate with the finance and taxation departments at the same level to recognize HTNEs in their respective jurisdictions.

The annex of the Measures on Recognition of HNTEs lists eight high- and new-technology areas selected for the State’s “primary support”: 1) Electronics and Information Technology; 2) Biology and New Medicine Technology; 3) Aerospace Industry; 4) New Materials Technology; 5) High-tech Service Industry; 6) New Energy and Energy-Saving Technology; 7) Resources and Environmental Technology; and 8) High-tech Transformation of Traditional Industries.

AS Guangdong and AS Shandong reported that they received tax savings under this program on their 2013 income tax return filed during the POI. We preliminarily determine that the reduced income tax rate paid by AS Guangdong and AS Shandong is a financial contribution in the form of revenue foregone by the GOC, and provides a benefit to the recipient in the amount of the tax savings. We also preliminarily determine, consistent with the 2008/2009 Citric Acid Review, that the reduction afforded by this program is limited as a matter of law to certain new and high technology companies selected by the government pursuant to legal guidelines specified in Measures on Recognition of HNTEs and, hence, is specific under section 771(5A)(D)(i) of the Act. Both the number of targeted industries (eight) and the narrowness of the identified project areas under those industries support a finding that the legislation expressly limits access to the program to a specific group of enterprises or industries.

To calculate the benefit, we compared the income tax rate that the Asia Symbol Companies would have paid in the absence of the program (25 percent) to the income tax rate that the companies actually paid. We treated the income tax savings realized by the Asia Symbol Companies as a recurring benefit, consistent with 19 CFR 351.524(c)(1) and divided the company’s tax savings received during the POI by the total consolidated sales for Asia Symbol Companies (excluding inter-company sales) for the POI, pursuant to 19 CFR 351.525(b)(6)(iii) and 19 CFR 351.525(c). On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.55 percent ad valorem.

5. VAT and Import Tariff Exemptions for Imported Equipment

Enacted in 1997, the Circular of the State Council on Adjusting Tax Policies on Imported Equipment (Guofa No. 37) (Circular 37) exempts both foreign invested enterprises (“FIEs”) and certain domestic enterprises from the VAT and tariffs on imported equipment used in their

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194 Id., at Exhibit 14 and 15.
195 Id.
196 Id.
197 See AS Guangdong IQR at 22 – 25 and Exhibit 6, 14, 15, and 16.
production so long as the equipment does not fall into prescribed lists of non-eligible items. The NDRC and the General Administration of Customs are the government agencies responsible for administering this program. Qualified enterprises receive a certificate either from the NDRC or one of its provincial branches. To receive the exemptions, a qualified enterprise only has to present the certificate to the customs officials upon importation of the equipment. The objective of the program is to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades. The Department previously found this program to be countervailable.

Both AS Guangdong and AS Shandong reported receiving VAT and tariff exemptions under this program for imported equipment prior to the POI. We preliminarily determine that the VAT and duty exemptions received under the program constitute a financial contribution in the form of revenue foregone by the GOC, which provides a benefit to the recipients in the amount of the VAT and tariff savings. As described above, only FIEs and certain domestic enterprises are eligible to receive VAT and tariff exemptions under this program; therefore, we further determine that the VAT and tariff exemptions under this program are de jure specific under section 771(5A)(D)(i) of the Act because the program is limited to certain enterprises.

Normally, we 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 allocate these benefits only in the year that they were received. 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. Therefore, because these exemptions are for capital equipment, we have examined the VAT and tariff exemptions that AS Guangdong and AS Shandong received under the program during the POI and preceding 12 years.

To calculate the amount of import duties exempted under the program, we multiplied the value of the imported equipment by the import duty rate that would have been levied absent the program. To calculate the amount of VAT exempted under the program, we multiplied the value of the imported equipment (inclusive of import duties) by the VAT rate that would have been levied absent the program. Our derivation of VAT in this calculation is consistent with the Department’s approach in prior cases. Next, we summed the amount of duty and VAT

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200 See the GOC IQR at 23 and Exhibit 16.
201 Id.
203 See AS Guangdong IQR at 27; see also AS Shandong IQR at 29.
204 See sections 771(5)(D)(ii) and 771(5)(E) of the Act, as well as 19 CFR 351.510(a)(1). The VAT portion of this program was abolished beginning January 1, 2009 pursuant to the Announcement of Ministry of Finance, General Administration of Customs and State Administration of Taxation on resumption of VAT on imported equipment and related goods. See the GOC IQR at 23, and Exhibit 17.
205 See CFS from the PRC and CFS from the PRC IDM at Comment 16; see also OTR Tires from the PRC at “C. VAT and Import Duty Exemptions on Imported Material.”
206 See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(1).
exemptions received in each year. For each year, we divided the company’s total exemptions by its corresponding sales for the year of import. Pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the year of receipt for those years in which the grant amount was less than 0.5 percent of the total consolidated sales of the Asia Symbol Companies (excluding inter-company sales). For the years in which the grant amount for the company was greater than 0.5 percent of its sales, we allocated the benefit over the AUL using the methodology described under 19 CFR 351.524(d). We used the methodology described in the “Subsidies Valuation” section above to determine the amount attributable to the POI. We then divided the POI benefit by the total consolidated POI sales of the Asia Symbol Companies (excluding inter-company sales), to calculate the subsidy rate. On this basis, we determine that the Asia Symbol Companies received a countervailable subsidy of 3.08 percent ad valorem during the POI.

Additionally, the GOC reported that, pursuant to the “Announcement of Ministry of Finance, China Customs, and State Administration of Taxation,” No. 43 (2008), the VAT exemption was terminated. Under 19 CFR 351.526(a)(1) and (2), the Department may take a program-wide change to a subsidy program into account in establishing the cash deposit rate if it determines that subsequent to the POI, but before the preliminary determination, a program-wide change occurred and the Department is able to measure the change in the amount of countervailable subsidies provided under the program in question. With regard to this program, we preliminarily determine that a program-wide change has not occurred. Under 351.526(d)(1), the Department will only adjust the cash deposit rate of a possibly terminated program if there are no residual benefits. However, this program still provides for residual benefits because import tariff and VAT exemptions were provided for the importation of capital equipment and, thus, those exemptions are treated as non-recurring subsidies pursuant to 19 CFR 351.524(c)(2)(iii). This decision is consistent with the Department’s approach to this program in prior PRC proceedings.

6. **Subsidies for Energy Efficiency and Environmental Protection**

AS Shandong reported that it received assistance in the form of a grant, from the Rizhao City Government for environmental protection. We preliminarily determine that the grant received by AS Shandong constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, the Department is relying on AFA to preliminarily determine that the grant program is specific

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208 See GOC IQR at 31 and Exhibit 17.

209 See Utility Scale Wind Towers From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, 77 FR 75978 (December 26, 2012) (Wind Towers from the PRC) and accompanying Issues and Decision Memorandum (Wind Towers IDM) at 19 and 20.


211 See AS Shandong 1SQR at 7 and Exhibit 7-a; see also GOC 1SQR at 25.
because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance.

To calculate the benefit, we divided the grant amount by the Asia Companies’ total consolidated sales (excluding inter-company sales) for the year in which the grant was received and found that the resulting ratio exceeded 0.5 percent. Because the grant is a non-recurring benefit, consistent with 19 CFR 351.524(c)(2)(iii), we allocated the benefit over the 13-year AUL. We then divided the benefit amount by the Asia Symbol Companies’ total consolidated sales (excluding inter-company sales) for the POI to obtain the ad valorem subsidy rate. On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.10 percent ad valorem.

7. Support Fund for Environmental Protection Project- Rizhao City

AS Shandong reported that it received assistance, in the form of a grant, from the Rizhao City Government.\textsuperscript{212} We preliminarily determine that the grant received by AS Shandong constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, the Department is relying on AFA to preliminarily determine that the grant program is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance.

To calculate the benefit, we divided the grant amount by the Asia Companies total consolidated sales (excluding inter-company sales) for the year in which the grant was received and found that the resulting ratio exceeded 0.5 percent. Because the grant is a non-recurring benefit, consistent with 19 CFR 351.524(c)(2)(iii), we allocated the benefit over the 13-year AUL. We then divided the benefit amount by the Asia Symbol Companies’ total consolidated sales (excluding inter-company sales) for the POI to obtain the ad valorem subsidy rate. On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.14 percent ad valorem.

8. Support Fund for Environmental Protection Input

AS Shandong reported that it received assistance, in the form of a grant, from the Rizhao Municipal Finance Bureau for environmental protection.\textsuperscript{213} We preliminarily determine that the grant received by AS Shandong constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, the Department is relying on AFA to preliminarily determine that the grant program is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance.

\textsuperscript{212} See AS Shandong 1SQR at 7 and Exhibit 7-e; see also GOC 1SQR at 25.
\textsuperscript{213} See AS Shandong 1SQR at 7 and Exhibit 7-f; see also GOC 1SQR at 25.
The grant that AS Shandong received during the POI was less than 0.5 percent of the total consolidated sales of the Asia Symbol Companies for the POI. Therefore pursuant to 19 CFR 351.524(b)(2), we expensed the grant amount in its entirety to the POI. On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.14 percent \textit{ad valorem}.

9. \textbf{Support Fund for Environmental Protection Project}

AS Shandong reported that it received assistance, in the form of a grant, from the Rizhao Economic and Technological Development Area Government for environmental protection.\textsuperscript{214} We preliminarily determine that the grant received by AS Shandong constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, the Department is relying on AFA to preliminarily determine that the grant program is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance.

The grant that AS Shandong received during the POI was less than 0.5 percent of the total consolidated sales of the Asia Symbol Companies for the POI. Therefore pursuant to 19 CFR 351.524(b)(2), we expensed the grant amount in its entirety to the POI. On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.14 percent \textit{ad valorem}.

10. \textbf{City Bonus for Export Activity from Finance Bureau}

AS Guangdong reported that it received assistance, in the form of a grant, from Jiangmen City for export activities.\textsuperscript{215} We preliminarily determine that the grant received by AS Guangdong constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, the Department is relying on AFA to preliminarily determine that the grant program is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance.

The grant that AS Guangdong received during the POI was less than 0.5 percent of the total consolidated sales of the Asia Symbol Companies for the POI. Therefore pursuant to 19 CFR 351.524(b)(2), we expensed the grant amount in its entirety to the POI. On this basis, we preliminarily determine that the Asia Symbol Companies received a countervailable subsidy of 0.13 percent \textit{ad valorem}.

\textsuperscript{214} See AS Shandong 1SQR at 7 and Exhibit 7-g; see also GOC 1SQR at 25.

\textsuperscript{215} See AS Guangdong 1SQR at 5 - 8; see also GOC 1SQR at 18.
B. Programs Preliminarily Determined Not To Confer a Benefit on the Asia Symbol Companies During the POI

1. Provision of Coal for LTAR

The Department is investigating whether the Asia Symbol Companies purchased coal for LTAR during the POI. On the record of this investigation, the GOC reported that the Asia Symbol Companies purchases coal from state-owned enterprises during the POR. As explained in the Public Body Memorandum, majority state-owned enterprises in the PRC possess, exercise, or are vested with governmental authority. The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we preliminarily determine that the Asia Symbol Companies received a financial contribution from authorities in the form of the provision of a good, pursuant to section 771(5)(D)(iii) of the Act.

Regarding specificity, the GOC reported that the industry/sector coal consumption statistics published by SSB for 2013 and 2014 were not yet available; however the GOC did submit industry consumption information for 2012. The GOC also submitted the Annual Report on Coal Market Development of China (2014) and the National Coal Industry’s 12th Five-Year Plan (Coal Five-Year Plan). In the Initiation Checklist, the Department indicated that there was sufficient evidence to initiate an investigation of the provision of coal on both a de jure and de facto specific basis, i.e., on the basis that power generators are predominant users. Upon examination of the Coal Five-Year Plan, the Department preliminarily determines that there is insufficient evidence to find the provision of coal is de jure specific to power generators under section 771(5A)(D)(i) of the Act. Therefore, the Department examined the industry consumption information for 2012 published by the SSB. Based upon the record information, we find that the power generation industry, which uses 34 percent of the coal in China, is a predominant user of coal. Therefore, we preliminarily determine the provision of coal to be specific within the meaning of section 771(5A)(D)(iii)(II) of the Act.

AS Shandong’s business license indicates that its business scope includes power generation. Further, in its 1SQR, AS Shandong responded that the company uses coal and water to generate electricity for its own consumption and any surplus electricity is sold to the State’s grid. Therefore, we preliminarily determine that AS Shandong is a power generator whose purchases of coal during the POI fall under the provision of coal for LTAR. We preliminarily determine that AS Shandong is the only member of the Asia Symbol Companies that was a power generator during the POI. We will continue to examine whether other members of the Asia Symbol

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216 See GOC IQR at 82.
217 See Public Body Memorandum.
218 See GOC IQR at 90 and Exhibit 46 and GOC 1SQR at Exhibit 60.
219 See GOC IQR at Exhibit 47 and 48.
220 See Initiation Checklist at 16.
221 See GOC IQR at Exhibit 60.
222 Id.
223 See AS Shandong IQR at Exhibit 1.
224 See the Asia Symbol Companies 1SQR at 1 and Exhibit 1.
Companies were power generators during the POI and, if so, whether they acquired coal for LTAR during the POI.

As discussed under “Use of Facts Otherwise Available and Adverse Inferences,” above, we are relying on AFA to preliminarily determine that actual transaction prices for coal in the PRC are significantly distorted by the government’s involvement in the market. As such, we preliminarily determine that domestic prices by coal producers based in the PRC and import prices into the PRC may not serve as viable, tier one benchmark prices. Given that we have preliminarily determined that no tier one benchmark prices are available, we next evaluated information on the record to determine whether there is a tier two world market price available to producers of subject merchandise in the PRC.

The Department, Petitioners and Asia Symbol Companies have placed on the record information to construct a benchmark from GTA and IMF information. The GTA data contain coal volume and value data, by country, on an HTS-specific basis. The Department’s regulations at 19 CFR 351.511(a)(2)(ii) state that where there is more than one commercially available world market price, the Department will average the prices to the extent practicable. Based on the facts of this case, the Department weight-averaged the prices to calculate a single benchmark by month. Asia Symbol Companies reported their input purchases on an HTS specific basis. Therefore, in order to derive the benchmark, we calculated HTS-specific benchmarks that correspond to the HTS categories of coal purchased by the Asia Symbol Companies during the POI. As noted above, our approach in this regard is consistent with the Department’s practice of deriving benchmark prices by grade when such data are available and when the record evidence indicates that the respondent firm purchases the good in question on a grade specific basis.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Accordingly, in deriving the benchmark prices, we included international freight and inland freight. The international ocean freight rates used are an average of the freight rates submitted on the record by Petitioners and the Asia Symbol Companies. Petitioners placed on the record ocean freight

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225 See Citric Acid Second Review and Citric Acid Third Review, and accompanying IDMs at “Provision of Steam Coal for LTAR.”

226 See DOC Benchmark Information, Petitioners’ First Benchmark Information, Asia Symbol Companies’ Benchmark Information, Petitioners’ Second Benchmark Information, and Petitioners’ Rebuttal Benchmark Information.

227 See Certain Steel Wheels From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination, 77 FR 17017 (March 23, 2012) (Steel Wheels from the PRC), and accompanying IDM at Comment 15; see also Circular Welded Austenitic Stainless Pressure Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination, 74 FR 4936 (January 28, 2009), and accompanying IDM at “Provision of SSC for LTAR” (where the Department compared prices by steel grade); Certain Hot-Rolled Carbon Steel Flat Products from India: Final Results of Countervailing Duty Administrative Review, 73 FR 40295 (July 14, 2008), and accompanying IDM at “Sale of High-Grade Iron Ore for LTAR” (where the Department conducted the benefit analysis on a lump-to-lump and fine-to-fine basis); and Notice of Final Results of Countervailing Duty Administrative Review: Certain Softwood Lumber Products from Canada, 70 FR 73448 (December 12, 2005), and accompanying IDM at “Calculation of Provincial Benefit” and “Methodology for Adjusting the Unit Prices of the Crown Stumpage Program Administered by the GOBC” (where the Department computed species-specific benefits).
pricing data from Platts Report, for the POI. The Asia Symbol Companies placed on the record ocean freight pricing data from Maersk and Searates (for distance data), for the POI. We averaged the international freight rates from Petitioners and the Asia Symbol Companies to derive the amount included in our benchmark.

AS Shandong purchased coal from domestic sources; therefore, for inland freight we relied on the Asia Symbol Companies’ reported inland freight expense to transport coal from its plant to the port. Additionally, to derive the benchmark, we included import duties and the VAT applicable to imports of coal into the PRC as reported by the GOC. We did not include marine insurance. In prior CVD investigations involving the PRC, the Department found that while the PRC customs authorities impute an insurance cost on certain imports for purposes of levying duties and compiling statistical data, there is no evidence to suggest that PRC customs authorities require importers to pay insurance charges.

To calculate the benefit, we calculated the difference between the delivered world market price and the price that AS Shandong paid for coal, including delivery charges. We next divided the sum of the price differentials by the total consolidated sales of the Asia Symbol Companies (excluding inter-company sales). Comparing the adjusted benchmark prices to the prices paid by AS Shandong for coal during the POI, we preliminarily find that benchmark prices were lower or equal to the prices that the AS Shandong paid during the POI. Therefore, we preliminarily determine that this program did not confer a benefit to the Asia Symbol Companies during the POI.

2. VAT Rebates on FIE Purchases of Chinese Made Equipment

According to Trial Regulations on Tax Rebate on Domestically-Manufactured Equipment Purchased by a Foreign-Funded Enterprise (No. 171), the GOC refunds the VAT on purchases of certain Chinese-produced equipment to FIEs if the equipment is used for certain encouraged projects. AS Shandong reported using this program during the AUL. The Department previously found this program countervailable. We determine that the rebates under this program are a financial contribution in the form of revenue foregone by the GOC, and they provide a benefit to the recipients in the amount of the tax savings. We further find that the VAT rebates are contingent upon the use of domestic over imported equipment and, hence, specific under sections 771(5A)(A) and (C) of the Act.

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228 See Petitioner’s Second Benchmark Information at Exhibits 10 through 13.
229 See the Asia Symbol Companies’ Benchmark Information at Exhibit 6.
230 See AS Shandong IQR at 29.
231 See GOC IQR at 89.
232 See, e.g., PC Strand from the PRC, and accompanying IDM at Comment 13.
233 See 19 CFR 351.511(a).
234 See Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination, 77 FR 63788 (October 17, 2012) (Solar Cells Investigation), and accompanying Issues and Decision Memorandum (Solar Cells Investigation IDM) at 18.
235 See AS Shandong IQR at 32-33.
236 See Solar Cells Investigation and Solar Cells Investigation IDM at 18.
Since this indirect tax is provided for, or tied to, the capital structure or capital assets of a firm, the Department treated this tax as a non-recurring benefit and allocated the benefit to the firm over the AUL. To calculate a benefit under this program, for the years in which the rebate amount was less than 0.5 percent of the relevant sales figure, we expensed the rebates in the year of receipt, consistent with 19 CFR 351.524(a). The benefits AS Shandong received in 2008 and 2009 were less than 0.5 percent of the total consolidated Asia Symbol Companies’ sales (excluding inter-company sales) for each respective year; therefore the benefits were expensed to 2008 and 2009. We preliminarily determine that this program did not confer a benefit to the Asia Symbol Companies during the POI.

C. Programs Preliminarily Determined Not To Be Used

1. Titanium Dioxide for LTAR
2. Provision of Water for LTAR
3. Provision of Electricity for LTAR
4. Land-Use Rights for LTAR in Certain Industrial/Development Zones
5. Export Buyer’s Credit from Export-Import Bank of China
6. Export Seller’s Credit from Export-Import Bank of China
7. Tax Reductions for High and New-Technology Enterprises Involved in Designated Zones
8. Income Tax Exemptions for Forestry Projects
9. Funds for Using Wood Pulp in Forestry-Paper Integration Projects
10. Interest Payments for Forestry-Paper Integration Projects
11. Support for Developing New Paper Products
12. State key Technology Renovation Fund
13. Grants to Cover Legal Fees in Trade Remedy Cases
14. Grants for Listing Shares
15. Demolition and Relocation Assistance for Shandong Chenming
16. Preferential Loans to SOEs
17. Provision of Land and/or Land-Use Rights to SOEs for LTAR

D. Programs for Which More Information is Necessary

1. New Subsidy Allegation

On May 29, 2015, we issued a new subsidy questionnaire to the Asia Symbol Companies and GOC. On June 15, 2015, the Asia Symbol Companies responded to the new subsidy questionnaire. The deadline for the GOC to submit its response is June 22, 2015. Because we lack the time to fully analyze and request additional information from respondents, we will issue an analysis with respect to these programs, listed below, after the preliminary determination.

- Jiangmen City – Honest Green Card Backbone Enterprises: Tax Refund
- Jiangmen City – Honest Green Card Backbone Enterprises: Preferential Interest Rates

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238 See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(2).
239 See GOC NSAQ and AS NSAQ.
240 See Asia Symbol Companies NSAQR.
and Guarantee Fees
- Jiangmen City – Honest Green Card Backbone Enterprises: Grants
- Tax Refund for Technology Renovation Projects in Xinhui District
- Infrastructure Fee and Tax Refund for Enterprises in Xinhui District
- Interest Subsidy for Capital Increase and Production Expansion Projects in Xinhui District
- Administrative and Industrial Fee Exemptions in Yinzhou Lake Paper Base
- Provision of Electricity for LTAR in Yinzhou Lake Paper Base
- Provision of Water for LTAR in Yinzhou Lake Paper Base
- Provision of Steam for LTAR in Yinzhou Lake Paper Base

2. Preferential Income Tax Program for Comprehensive Utilization Entitling Enterprise and Support Fund for Energy Efficiency and Environmental Protection Project

According to AS Shandong’s initial questionnaire response, the company benefited from this program during the POI. The Department requires additional information that would allow us to analyze whether this program is countervailable. We will address whether this program is countervailable in a post-preliminary analysis.

XII. 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 pertaining to this case, 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.

XIII. DISCLOSURE AND PUBLIC COMMENT

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

241 See AS Shandong IQR at 24 – 27 and Exhibit 16 and 17; see also AS Shandong 1SQR at 7 and Exhibit 7-b.
242 See 19 CFR 351.224(b).
243 See 19 CFR 351.309.
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. 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. 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 and time to be determined. Parties will be notified of the date and time of any hearing.

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

XIV. VERIFICATION

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

XV. CONCLUSION

We recommend that you approve the preliminary findings described above.

Agree

Disagree

Paul Piquad
Assistant Secretary
for Enforcement and Compliance

27 July 2015
(Date)

244 See 19 CFR 351.309(c)(2) and (d)(2).
245 See 19 CFR 351.310(c).
246 See 19 CFR 351.303(b)(2)(i).
247 See 19 CFR 351.303(b)(1).
<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>Rate Used</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Loan Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Policy Loans for Papermaking Industry</td>
<td>0.48%</td>
<td>Calculated</td>
<td>Asia Symbol</td>
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<tr>
<td>2 Preferential Loans for SOEs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3 Export Seller's Credit</td>
<td>1.13%</td>
<td>Calculated</td>
<td>59 Feet Domestic Dry Containers 89 FR 21209</td>
</tr>
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<td>4 Export Buyer's Credit</td>
<td>10.54%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Solar Cells investigation 77 FR 63788</td>
</tr>
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<td>5 Provision of Papermaking Chemicals for LTAR</td>
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<td></td>
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<td>6 Calcium Carbonate for LTAR</td>
<td>0.50%</td>
<td>Calculated</td>
<td>Asia Symbol</td>
</tr>
<tr>
<td>7 Caustic Soda for LTAR</td>
<td>0.36%</td>
<td>Calculated</td>
<td>Asia Symbol</td>
</tr>
<tr>
<td>8 Titanium Dioxide for LTAR</td>
<td>22.33%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Citric Acid and Certain Citrate Salts 79 FR 10R</td>
</tr>
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<td>9 Provision of Water for LTAR</td>
<td>20.06%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
</tr>
<tr>
<td>10 Provision of Electricity for LTAR</td>
<td>20.06%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
</tr>
<tr>
<td>11 Provision of Coal for LTAR</td>
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<td>Calculated</td>
<td>Citric Acid and Certain Citrate Salts 79 FR 10R</td>
</tr>
<tr>
<td>12 Provisions of Land for LTAR</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>13 Land-use Rights for LTAR in Certain Industrial/Development Zones</td>
<td>2.55%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>OICT from PRC 24 FR 64045</td>
</tr>
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<td>14 Land to SOEs for LTAR</td>
<td>2.55%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
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</tr>
<tr>
<td>IV Tax Benefit Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Preferential Income Tax Program for High-tech Technology Enterprises</td>
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<td>16 Tax Reductions for High-tech Enterprises Involved in Designated Zones</td>
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<tr>
<td>17 Income Tax Exception for Forestry Projects</td>
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<td>18 VAT and Tariff Exceptions for Use of Imported Equipment</td>
<td>3.09%</td>
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<td>19 VAT Rebates on HIT Purchases of Chinese Made Equipment</td>
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<td>75 FR 64268 (Prelim) sustained in Final Results</td>
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<td>VI Grant Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>20 Fund for Using Wood Pulp in Forestry-Paper Integration Projects</td>
<td>0.58%</td>
<td>Highest Rate for Similar Program based on Benefit Type</td>
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<tr>
<td>21 Intrest Payments for Forestry-Paper Integration Projects</td>
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<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
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<td>22 Support for Developing New Paper Products</td>
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<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
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<td>23 State key Technology Revoltion Fund</td>
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<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
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<td>24 Grants to Cover Legal Fees in Trade Remedy Cases</td>
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<td>25 Grants for Listing Shares</td>
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<td>26 Demolition and Relocation Assistance for Shandong Chenming</td>
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<td>Highest Rate for Similar Program based on Benefit Type</td>
<td>Chlorinated Isocyanurates 79 FR 56560</td>
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<td>27 As Shandong Grant 3 - Governmental subsidies for energy efficiency and environmental protection</td>
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<td>Calculated</td>
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<td>28 As Shandong Grant 17 - Support fund for environmental protection project</td>
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<td>Calculated</td>
<td>Asia Symbol</td>
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<tr>
<td>29 As Shandong Grant 19 - Support fund for environmental protection input</td>
<td>0.14%</td>
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<tr>
<td>30 As Shandong Grant 21 - Support fund for environmental protection project</td>
<td>0.14%</td>
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<tr>
<td>31 As Guangdong Grant 22 - City bonus for expert activity from finance bureau</td>
<td>0.13%</td>
<td>Calculated</td>
<td>Asia Symbol</td>
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**TOTAL FINAL AD VALOREM RATE:** 135.47%