



C-570-057
Investigation
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September 8, 2017

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Senior Director
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary

SUBJECT: Decision Memorandum for the Preliminary Affirmative
Determination: Countervailing Duty Investigation of Certain Tool
Chests and Cabinets from the People's Republic of China

I. SUMMARY

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

II. BACKGROUND

A. Initiation and Case History

On April 11, 2017, the Department received a countervailing duty (CVD) petition concerning imports of tool chests from the PRC, filed in proper form by Waterloo Industries Inc. (the petitioner).¹ The CVD petition was accompanied by antidumping duty (AD) petitions concerning imports of tool chests from the PRC and the Socialist Republic of Vietnam (Vietnam). On May 1, 2017, the Department initiated the CVD investigation of tool chests from

¹ See Letter to the Secretary of Commerce, "Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam—Petition for the Imposition of Antidumping and Countervailing Duties," dated April 11, 2017 (the Petition).



the PRC.² The initial allegations and supplements to the Petition are described in the CVD Initiation Checklist.³

In the *CVD Initiation*, the Department stated that it intended to select respondents based on responses to quantity and value (Q&V) questionnaires because the HTSUS numbers the subject merchandise would enter under are basket categories containing many products unrelated to tool chests, and the reported entry data contain differing units of quantity.⁴ Therefore, on May 2, 2017, the Department issued Q&V questionnaires to the producers/exporters of merchandise under consideration identified by the petitioner, with complete contact information, in the Petition, and also posted the Q&V questionnaire, along with filing instructions, on the Enforcement and Compliance website, as indicated in the *CVD Initiation*.⁵ From among the 21 Q&V questionnaire responses timely received,⁶ and as explained in the Department's Respondent Selection Memorandum, the Department selected Jiangsu Tongrun Equipment Technology Co., Ltd. (Tongrun) and Zhongshan Geelong Manufacturing Co., Ltd. (Geelong) as mandatory respondents in this investigation.⁷

On May 30, 2017, the Department issued a CVD questionnaire to the Government of the PRC (GOC) and the mandatory respondents.⁸ On June 19 and 20, 2017, Geelong and Tongrun timely filed their affiliation questionnaire responses, respectively.⁹ The petitioner filed comments on the Tongrun AQR on June 23, 2017.¹⁰

In the Tongrun AQR, Tongrun identified five companies with which it was cross-owned that either produced subject merchandise or were holding companies and for whom it would be submitting full responses to the Initial Questionnaire, as instructed.¹¹ The cross-owned companies identified by Tongrun in its affiliation response are: Changshu Taron Machinery Equipment Manufacturing Co., Ltd. (Taron Machinery), Changshu Tongrun Mechanical & Electrical Equipment Manufacture Co., Ltd. (Tongrun M&E Equipment), Changshu Jack Factory

² See *Certain Tool Chests and Cabinets from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 82 FR 21516 (May 9, 2017) (*CVD Initiation*).

³ See Countervailing Duty Investigation Initiation Checklist: Certain Tool Chests and Cabinets from the People's Republic of China (CVD Initiation Checklist), dated May 1, 2017.

⁴ See *CVD Initiation*, 82 FR at 21519.

⁵ *Id.*

⁶ This number does not include the Q&V response from HMC Holdings LLC, which certified that it had no shipments of subject merchandise during the period of investigation (POI).

⁷ See Memorandum, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from The People's Republic of China: Respondent Selection," dated May 30, 2017 (Respondent Selection Memorandum).

⁸ See Letter to the GOC, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Countervailing Duty Questionnaire," dated May 30, 2017 (Initial Questionnaire).

⁹ See Letter from Geelong, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Geelong CVD Questionnaire Section III Identifying Affiliated Companies Submission," dated June 19, 2017 (Geelong AQR); and Letter from Tongrun, "Tongrun Affiliation Response: Countervailing Duty Investigation on Tool Chests and Cabinets from the People's Republic of China (C-570-057)," dated June 20, 2017 (Tongrun AQR).

¹⁰ See Letter from the petitioner, "Certain Tool Chests and Cabinets from the People's Republic of China – Petitioner's Comments on Jiangsu Tongrun Equipment Technology Co., Ltd.'s Affiliated Companies Questionnaire Response," dated June 23, 2017.

¹¹ See Tongrun AQR, at 2-4.

(Jack Factory), Changshu Tongrun Taron Import and Export Co., Ltd. (Taron I&E), and Changshu General Electrical Factory Co., Ltd. (General Electrical Factory).¹²

In its AQR, Geelong identified two companies with which it was affiliated that were “involved in the production, export, or sale of subject merchandise in China.”¹³ We preliminarily determine that neither of these firms is cross-owned with Geelong because neither of them meet any of the regulatory criteria for cross-ownership as provided for in 19 C.F.R. 351.525(b)(6).

On July 13, 2017, Tongrun timely filed a response to the Initial Questionnaire on behalf of itself and five cross-owned companies.¹⁴ On July 17, 2017, Geelong timely filed a response to the Initial Questionnaire on behalf of itself and two affiliated companies.¹⁵ On July 17, 2017, the GOC timely filed its response to the Initial Questionnaire.¹⁶ The petitioner filed comments on the Geelong IQR and the Tongrun IQR on July 21, 2017.¹⁷ We issued supplemental questionnaires to Geelong, Tongrun and the GOC in June, July, and August 2017.¹⁸ We received timely filed supplemental responses in June and August 2017.¹⁹ On August 9, 2017, the

¹² *Id.*

¹³ See Geelong AQR, at 4-7.

¹⁴ See Letter from Tongrun, “Tongrun Initial CVD Questionnaire Response : Countervailing Duty Investigation on Tool Chests and Cabinets from the People’s Republic of China (C-570-057),” dated July 13, 2017 (Tongrun IQR).

¹⁵ See Letter from Geelong, “Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China: Geelong Response to Section III of CVD Questionnaire,” dated July 17, 2017 (Geelong IQR).

¹⁶ See Letter from the GOC, “Certain Tool Chests and Cabinets from the People’s Republic of China, Case No. C-570-057: Initial Questionnaire Response,” dated July 17, 2017 (GOC IQR).

¹⁷ See Letters from the petitioner, “Certain Tool Chest and Cabinets from the People’s Republic of China – Petitioner’s Comments on Geelong’s Questionnaire Response,” and “Certain Tool Chests and Cabinets from the People’s Republic of China – Petitioner’s Comments on Jiangsu Tongrun Equipment Technology Co., Ltd.’s Initial CVD Questionnaire Response,” dated July 21, 2017.

¹⁸ See Letters to Tongrun dated June 22, 2017 (Tongrun SQ1), July 26, 2017 (Tongrun SQ2), and August 21, 2017 (Tongrun SQ3), and August 25, 2017 (Tongrun SQ4); Letters to Geelong dated June 21, 2017 (Geelong SQ1), July 26, 2017 (Geelong SQ2), August 15, 2017 (Geelong SQ3), August 21, 2017 (Geelong SQ4), and August 25, 2017 (Geelong SQ5); and Letters to the GOC dated July 26, 2017 (GOC SQ), August 15, 2017 (GOC SQ2), and August 21, 2017 (GOC SQ3).

¹⁹ See Letter from Geelong, “Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China: Geelong Response to the Supplemental CVD Questionnaire,” dated June 28, 2017 (Geelong SQR1), Letter from Tongrun, “Tongrun Affiliation Supplemental Response: Countervailing Duty Investigation on Tool Chests and Cabinets from the People’s Republic of China (C-570-057),” dated June 29, 2017 (Tongrun SQR1), Letter from Geelong, “Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China: Geelong Response to 2nd Supplemental CVD Questionnaire,” dated August 11, 2017 (Geelong SQR2), Letter from Tongrun, “Tongrun First Supplemental Response : Countervailing Duty Investigation on Tool Chests and Cabinets from the People’s Republic of China (C-570-057),” dated August 11, 2017 (Tongrun SQR2), Letter from GOC, “Certain Tool Chests and Cabinets from the People’s Republic of China, Case No. C-570-057: Supplemental Questionnaire Response,” dated August 11, 2017 (GOC SQR), Letter from Geelong, “Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China: Geelong Response to 3rd Supplemental CVD Questionnaire,” dated August 18, 2017 (Geelong SQR3), Letter from GOC, “Certain Tool Chests and Cabinets from the People’s Republic of China. Case No. C-570-057: Second Supplemental Questionnaire Response,” dated August 18, 2017 (GOC SQR2), Letter from Tongrun, “Tongrun Third Supplemental Response: Countervailing Duty Investigation on Tool Chests and Cabinets from the People’s Republic of China (C-570-057),” dated August 23, 2017 (Tongrun SQR3), Letter from Geelong, “Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People’s Republic of China: Geelong’s Response to 4th

petitioner, Tongrun, and Geelong, each submitted information regarding benchmarks.²⁰ The petitioner and Tongrun also filed rebuttal comments.²¹

Finally, the petitioner, Tongrun, and Geelong all submitted pre-preliminary comments.²²

B. Postponement of Preliminary Determination

On June 12, 2017, the Department postponed the deadline for the preliminary determination of this investigation to the full 130 days permitted under section 703(c)(1)(A) of the Act and 19 CFR 351.205(b)(2).²³

C. Period of Investigation

The POI is January 1, 2016, through December 31, 2016.

III. SCOPE COMMENTS

In accordance with the preamble to the Department's regulations,²⁴ we set aside a period of time in our *CVD Initiation* 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.²⁵

Supplemental CVD Questionnaire," dated August 23, 2017 (Geelong SQR4), Letter from GOC, "Certain Tool Chests and Cabinets from the People's Republic of China. Case No. C-570-057: Third Supplemental Questionnaire Response," dated August 25, 2017 (GOC SQR3), Letter from Tongrun, "Tongrun Fourth Supplemental Response: Countervailing Duty Investigation on Tool Chests and Cabinets from the People's Republic of China (C-570-057)," dated September 1, 2017 (Tongrun SQR4), and Letter from Geelong, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Geelong's Response to 5th Supplemental CVD Questionnaire," dated September 1, 2017 (Geelong SQR5).

²⁰ See Letter from the petitioner, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China – Petitioner's Comments and Submission of Factual Information regarding Measurement of Adequacy of Remuneration," dated August 9, 2017 (PBS); Letter from Tongrun, "Tongrun Benchmark Submission: Countervailing Duty Investigation on Tool Chests and Cabinets from the People's Republic of China (C-570-057)," dated August 9, 2017 (TBS); and Letter from Geelong, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Benchmark Submission," dated August 9, 2017 (GBS).

²¹ See Letter from the petitioner, "Certain Tool and Cabinets from the People's Republic of China - Petitioner's Rebuttal to Respondents' Benchmark Submissions and Request to Reject Tongrun's Untimely New Factual Information," (August 18, 2017) (PRBS) and Letter from Tongrun, "Tongrun Benchmark Rebuttal Submission: Countervailing Duty Investigation on Tool Chests and Cabinets from the People's Republic of China (C-570-057)," dated August 21, 2017 (TRBS).

²² See letter from the petitioner, "Countervailing Duty Investigation of Tool Chests and Cabinets from the People's Republic of China – Petitioner's Pre-Preliminary Comments," dated August 23, 2017, letter from Tongrun, "Tongrun Pre-Preliminary Comments: Countervailing Duty Investigation on Tool Chests and Cabinets from the People's Republic of China (C-570-057)," dated August 28, 2017, and letter from Geelong, "Countervailing Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Geelong's Pre-Preliminary Comments for the Anticipated Preliminary Determination," dated August 30, 2017.

²³ See *Certain Tool Chests and Cabinets from the People's Republic of China: Postponement of Preliminary Determination of Countervailing Duty Investigation*, 82 FR 31045 (July 5, 2017).

²⁴ See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997) (*Preamble*).

²⁵ See *CVD Initiation*, 82 FR at 21517.

We received comments from interested parties concerning the scope of the AD and CVD investigations of tool chests from the PRC and Vietnam. We evaluated these comments and are issuing our preliminary decision regarding the scope of the AD and CVD investigations in conjunction with this preliminary determination.²⁶ We will issue a final scope decision after considering any relevant comments submitted in case and rebuttal briefs.²⁷

IV. SCOPE OF THE INVESTIGATION

The scope of this investigation covers certain metal tool chests and tool cabinets, with drawers. The complete description of the scope of this investigation is contained in Appendix I of the preliminary determination federal register notice. Merchandise subject to the investigation is classified under HTSUS categories 9403.20.0021, 9403.20.0026, 9403.20.0030 and 7326.90.8688, but may also be classified under HTSUS category 7326.90.3500. While HTSUS subheadings are provided for convenience and Customs purposes, the written description of the scope of this investigation is dispositive.

V. 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 May 25, 2017, the ITC preliminarily determined that there was a reasonable indication that an industry in the United States is materially injured by reason of imports of tool chests from the PRC that are alleged to be subsidized by the GOC.²⁸

VI. APPLICATION OF THE CVD LAW TO IMPORTS FROM THE PRC

On October 25, 2007, the Department published its final determination in *CFS from the PRC*, where we found that:

{G}iven 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.²⁹

²⁶ See Memorandum, “Certain Tool Chests and Cabinets from the People’s Republic of China and the Socialist Republic of Vietnam: Scope Comments Decision Memorandum for the Preliminary Determinations,” dated concurrently with this memorandum (Preliminary Scope Decision Memorandum).

²⁷ *Id.*

²⁸ See *Tool Chests and Cabinets from China and Vietnam: Investigation Nos. 701-TA-575 and 731-TA-1360-1361 (Preliminary)*, Publication 4697, June 2017; see also *Tool Chests from China and Vietnam*, 82 FR 25628 (June 2, 2017).

²⁹ See *Coated Free Sheet Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS from the PRC*), and accompanying Issues and Decision Memorandum (CFS IDM) at Comment 6.

The Department affirmed its decision to apply the CVD law to the PRC in numerous subsequent determinations.³⁰ Furthermore, on March 13, 2012, Public Law 112-99 was enacted which makes clear that the Department has the authority to apply the CVD law to countries designated as non-market economies (NMEs) under section 771(18) of the Act, such as the PRC.³¹ The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.³²

VII. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

A. Legal Standard

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

Where the Department determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that the Department will so inform the party submitting the response and will, to the extent practicable, provide that party with an opportunity to remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, the Department may disregard all or part of the original and subsequent responses, as appropriate.

Under the Trade Preferences Extension Act of 2015 (TPEA), numerous amendments to the AD and CVD laws were made. Amendments to section 776(b) and 776(c) of the Act and the addition of section 776(d) of the Act were included.³³ The amendments to the Act are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to this investigation.³⁴

Section 776(b) of the Act provides that the Department may use an adverse inference in applying

³⁰ See, e.g., *Circular Welded Carbon Quality Steel Pipe from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008) (*CWP from the PRC*), and accompanying Issues and Decision Memorandum (*CWP IDM*) at Comment 1.

³¹ Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

³² See Public Law 112-99, 126 Stat. 265 §1(b).

³³ See TPEA, Pub. L. No. 114-27, 129 Stat. 362 (2015). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced applicability dates for each amendment to the Act, except for amendments contained to section 771(7) of the Act, which relate to determinations of material injury by the International Trade Commission. See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (*Applicability Notice*). The text of the TPEA may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>.

³⁴ See *Applicability Notice*, 80 FR at 46794-46795.

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. In doing so, the Department is not required to determine, or make any adjustments to, a countervailable subsidy rate based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information.³⁵ Furthermore, section 776(b)(2) of the Act states that an adverse inference may include reliance on information derived from the petition, the final determination from the countervailing duty investigation, a previous administrative review, or other information placed on the record.³⁶

Section 776(c) of the Act provides that, in general, when the Department relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.³⁷ Secondary information is defined as information derived from the petition that gave rise to the investigation, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.³⁸ Furthermore, the Department is not required to corroborate any countervailing duty applied in a separate segment of the same proceeding.³⁹

Finally, under the new section 776(d) of the Act, when applying an adverse inference, the Department may use a countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country or, if there is no same or similar program, use a countervailable subsidy rate for a subsidy program from a proceeding that the Department considers reasonable to use.⁴⁰ The TPEA also makes clear that, when selecting facts available with an adverse inference, the Department is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an “alleged commercial reality” of the interested party.⁴¹

For purposes of this preliminary determination, we are applying adverse facts available (AFA) in the circumstances outlined below.

B. Application of Total AFA: Non-Responsive Companies to the Q&V Questionnaire

As noted in the “Initiation and Case History” section above, the Department issued 44 Q&V questionnaires to producers/exporters of merchandise under consideration identified by the petitioner, with complete contact information, in the Petition.⁴² We issued all Q&V questionnaires *via* Federal Express, and confirmed that all but three were delivered.⁴³ Of the

³⁵ See section 776(b)(1)(B) of the Act; *see also* section 502(1)(B) of the TPEA.

³⁶ *See also* 19 CFR 351.308(c).

³⁷ *See also* 19 CFR 351.308(d).

³⁸ *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-316, Vol. 1 at 870, reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (1994) (SAA).

³⁹ *See* section 776(c)(2) of the Act; *see also* section 502(2) of the TPEA.

⁴⁰ *See* section 776(d)(1) of the Act; *see also* section 502(3) of the TPEA.

⁴¹ *See* section 776(d)(3) of the Act; *see also* section 502(3) of the TPEA.

⁴² *See* the Petition, at Volume I, Exhibit Gen-8.

⁴³ *See* Memorandum to the File, “Quantity & Value Questionnaires: Delivery Confirmation,” dated May 16, 2017.

companies that we confirmed had questionnaires delivered to them, 31 did not respond to the Department's request for information. Accordingly, we preliminarily determine that these 31 non-responsive companies withheld necessary information that was requested of them, failed to provide information within the deadlines established, and significantly impeded this proceeding. Thus, the Department will rely on facts otherwise available in making its preliminary determination with respect to these companies, pursuant to sections 776(a)(2)(A)-(C) of the Act. Moreover, we preliminarily determine that an adverse inference is warranted, pursuant to section 776(b) of the Act, because each of these companies failed to cooperate by not acting to the best of its ability to comply with the Department's request for information. Accordingly, we preliminarily find that use of AFA is warranted to ensure that these companies (*i.e.*, the non-responsive companies) do not obtain a more favorable result by failing to cooperate than if they had fully complied with our request for information.

We included all programs upon which the Department initiated in this investigation to determine the AFA rate, as well as other programs that were reported by the respondents. We are adversely inferring from the non-responsive companies' decision not to participate in this investigation that they, in fact, used these programs during the POI.

Selection of the AFA Rate

It is the Department's practice in CVD proceedings to compute a total AFA rate for non-cooperating companies using the highest calculated program-specific rates determined for the cooperating respondents in the instant investigation, or, if not available, rates calculated in prior CVD cases involving the same country.⁴⁴ When selecting AFA rates, section 776(d) of the Act provides that the Department may use a countervailable subsidy rate applied for the same or similar program in a countervailable duty proceeding involving the same country, or, if there is no same or similar program, use a countervailable subsidy rate for a subsidy program from a proceeding that the administering authority considers reasonable to use, including the highest of such rates.⁴⁵ Accordingly, when selecting AFA rates, if we have cooperating respondents, as we do in this investigation, we first determine if there is an identical program in the investigation and use the highest calculated rate for the identical program. If there is no identical program that resulted in a subsidy rate above zero for a cooperating respondent in the investigation, we then determine if an identical program was used in another CVD proceeding involving the same country, and apply the highest calculated rate for the identical program (excluding *de minimis*

⁴⁴ See, e.g., *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 73 FR 70971, 70975 (November 24, 2008) (unchanged in *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 29180 (June 19, 2009), and accompanying Issues and Decision Memorandum at "Application of Facts Available, Including the Application of Adverse Inferences"); see also *Aluminum Extrusions From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) (*Aluminum Extrusions PRC Final*), and accompanying Issues and Decision Memorandum at "Application of Adverse Inferences: Non-Cooperative Companies."

⁴⁵ See, e.g., *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013) (*Shrimp from the PRC*), and accompanying Issues and Decision Memorandum (*Shrimp IDM*) at 13; see also *Essar Steel Ltd. v. United States*, 753 F.3d 1368, 1373-1374 (Fed. Cir. 2014) (upholding "hierarchical methodology for selecting an AFA rate").

rates).⁴⁶ If no such rate exists, we then determine if there is a similar/comparable program (based on the treatment of the benefit) in another CVD proceeding involving the same country and apply the highest calculated above-*de minimis* rate for the similar/comparable program. Finally, where no such rate is available, we apply the highest calculated above-*de minimis* rate from any non-company specific program in a CVD case involving the same country that the company's industry could conceivably use.⁴⁷

In applying AFA to each of the non-responsive companies, we are guided by the Department's methodology detailed above. We begin by selecting, as AFA, the highest calculated program-specific above-zero rates determined for the cooperating respondents in the instant investigation. Accordingly, we are applying the highest applicable subsidy rate calculated for either of the respondents for the following programs:

- Policy Loans to the Tool Chests Industry
- Government Provision of Hot-Rolled Coiled Steel for Less than Adequate Remuneration (LTAR)
- Government Provision of Cold-Rolled Coiled Steel for LTAR
- Provision of Electricity for LTAR
- Technology Improvement
- ERP Improvement
- Engineering Center
- Unemployment insurance to support business stability
- High Technology Products
- Province Commercial Development Special Subvention
- Changshu City Awards for Maintaining A Steady Increase of Foreign Trade
- Municipal Industrial Economy Transformation and Development Subvention 'Machines Inplace of Men' Promotion of Intelligent Manufacturing Project
- Municipal Commercial Transformation and Development Subvention
- Province Commercial Development Special Subvention Exploration of International Market Fair
- Foreign Commerce and Trade Development Fund

To calculate the program rate for the following income tax reduction programs on which the Department initiated an investigation, we applied an adverse inference that each of the non-responsive companies paid no income tax during the POI:

- Income Tax Reductions for High or New Technology Enterprises
- Income Tax Deductions for Research and Development (R&D) Expenses Under the Enterprise Income Tax Law

⁴⁶ For purposes of selecting AFA program rates, we normally treat rates less than 0.5 percent to be *de minimis*. See, e.g., *Pre-Stressed Concrete Steel Wire Strand from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010), and accompanying Issues and Decision Memorandum at "1. Grant Under the Tertiary Technological Renovation Grants for Discounts Program" and "2. Grant Under the Elimination of Backward Production Capacity Award Fund."

⁴⁷ See *Shrimp IDM* at 13-14.

- Provincial Government of Guangdong Tax Offset for R&D
- IPO Income Tax Subsidy
- QFII Equity Distribution Income Tax Withhold and Collected

The standard income tax rate for corporations in the PRC in effect during the POI was 25 percent.⁴⁸ Thus, the highest possible benefit for these income tax programs is 25 percent. Accordingly, we are applying 25 percent as an AFA rate on a combined basis (*i.e.*, the three programs, combined, provide a 25 percent benefit). Consistent with past practice, the 25 percent AFA rate does not apply to 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.⁴⁹

For programs for which we did not calculate an above-zero rate for another mandatory respondent in this proceeding,⁵⁰ we are applying the highest non-*de minimis* subsidy rate calculated for the same or, if lacking such rate, for a similar program in a PRC CVD investigation or administrative review. For this preliminary determination, we are able to match, based on program name, description, and treatment of the benefit, the following programs to the same programs from other PRC CVD proceedings:

- Export Loans from Chinese State-Owned Banks⁵¹
- Export Seller's Credit⁵²
- Import Tariff and VAT Reductions for Foreign-Invested Enterprises (FIEs) and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries⁵³

⁴⁸ See CVD Initiation Checklist at 14.

⁴⁹ See, e.g., *Aluminum Extrusions from the People's Republic of China: Final Results, and Partial Rescission of Countervailing Duty Administrative Review; 2013*, 80 FR 77325 (December 14, 2015) (*Aluminum Extrusions 2013 Review*), and accompanying Issues and Decision Memorandum at "Application of Total AFA to Non-Cooperative Companies."

⁵⁰ The final 23 programs in the list below were self-reported by the respondents. Otherwise, these are the remainder of the program from the *CVD Initiation*.

⁵¹ Consistent with recent investigations, we are using a single AFA rate for "Government Policy Lending" and "Preferential Loans to State Owned Enterprises," because an analysis of these two allegations in this investigation reveals that they would apply to the same loans provided by state-owned commercial banks (SOCBs). See, e.g., *Grain-Oriented Electrical Steel from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 59221 (October 1, 2014), and accompanying Issues and Decision Memorandum at 7; see also *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201, 70202 (November 17, 2010) (*Coated Paper PRC*) (citing Memorandum, "Countervailing Duty Investigation: Certain Coated Paper Suitable for High- Quality Print Graphics Using Sheet-Fed Presses From the People's Republic of China: Ministerial Errors for Final Determination," dated November 12, 2010 (Coated Paper PRC Ministerial Error Memo)).

⁵² See *Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of Countervailing Duty Administrative Review*, 76 FR 77206 (December 12, 2011) (*Citric Acid 2009*), and accompanying Issues and Decision Memorandum at 12.

⁵³ See *New Pneumatic Off-the-Road Tires from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review*, 75 FR 64268, 64275 (October 19, 2010) (*OTR Tires from the PRC Preliminary Results*) (unchanged in *New Pneumatic Off-the-Road Tires from the People's Republic of China: Final*

- GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands⁵⁴
- Special Fund for Energy Savings Technology Reform⁵⁵
- Small and Medium-Sized Enterprises (SMEs) International Market Exploration/Development Fund⁵⁶
- SME Technology Innovation Fund⁵⁷
- Export Assistance Grants⁵⁸

For this preliminary determination, we are able to match, based on program name, description, and treatment of the benefit, the following programs to similar programs from other PRC CVD proceedings (these are all programs reported as “other subsidies” by the respondents for which the benefit was not measurable during the POI):

- Export Credit Guarantees⁵⁹
- Export Buyer’s Credits⁶⁰
- VAT Refunds for FIEs Purchasing Domestically-Produced Equipment⁶¹
- 4th Quarter Growth Comparison⁶²
- 1-3rd Quarter Growth Comparison⁶³
- Training Cost Reimbursement from Productivity Council⁶⁴
- Rent Refund⁶⁵
- Export Subsidies (VAT loss)⁶⁶
- Enterprise Salary Survey Subsidy⁶⁷
- Refund of social insurance⁶⁸

Results of Countervailing Duty Administrative Review, 76 FR 23286 (April 26, 2011) (*OTR Tires from the PRC Final Results*)).

⁵⁴ See *Chlorinated Isocyanurates from the People’s Republic of China: Final Affirmative Countervailing Duty Determination; 2012*, 79 FR 56560 (September 22, 2014) (*Isos from the PRC CVD Determination*), and accompanying Issues and Decision Memorandum at 13-14 (“Special Fund for Energy Saving Technology”).

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ See *Citric Acid 2009*, 76 FR 77206. and accompanying Issues and Decision Memorandum at 12 (“Export Seller’s Credit for High- and New-Technology Products”).

⁶⁰ See *Coated Paper PRC*, 75 FR at 70202 (citing Coated Paper PRC Ministerial Error Memo) (“Preferential Lending to the Coated Paper Industry”).

⁶¹ See *OTR Tires from the PRC Preliminary Results*, 75 FR 64268, 64275 (unchanged in *OTR Tires from the PRC Final Results*, 76 FR 23286) (“VAT and Import Duty Exemptions on Imported Material”).

⁶² See *Isos from the PRC CVD Determination*, 79 FR 56560, and accompanying Issues and Decision Memorandum at 13-14 (“Special Fund for Energy Saving Technology”).

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ See *OTR Tires from the PRC Preliminary Results*, 75 FR 64268, 64275 (unchanged in *OTR Tires from the PRC Final Results*, 76 FR 23286) (“VAT and Import Duty Exemptions on Imported Material”).

⁶⁷ See *Citric Acid 2009*, 76 FR 77206. and accompanying Issues and Decision Memorandum at 12 (“Export Seller’s Credit for High- and New-Technology Products”).

⁶⁸ *Id.*

- 2013 Industrial Economy Transformation and Escalation Technology Innovation Subvention⁶⁹
- Traffic Police Team 779 Elimination Subsidy⁷⁰
- Municipal Industrial Economy Transformation and Development Subvention Energy Saving and Circular Economy Project⁷¹
- 2014 Patent⁷²

Accordingly, we preliminarily determine the AFA countervailable subsidy rate for each of the non-responsive companies to be 112.99 percent *ad valorem*. The Appendix contains a chart summarizing our calculation of this rate.

Corroboration of AFA Rate

Section 776(c)(1) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”⁷³ The SAA provides that to “corroborate” secondary information, the Department will satisfy itself that the secondary information to be used has probative value.⁷⁴

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.⁷⁵ Furthermore, the Department is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an “alleged commercial reality” of the interested party.⁷⁶

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. With respect to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. The Department will not use information where circumstances indicate that the information is not appropriate as AFA.⁷⁷

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ See SAA at 870.

⁷⁴ *Id.*

⁷⁵ *Id.* at 869-870.

⁷⁶ See section 776(d) of the Act.

⁷⁷ 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 from the non-responsive companies concerning the alleged programs due to their decision not to participate in this investigation, the Department reviewed the information concerning PRC subsidy programs in this and other cases. Where we have a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs in this case. Additionally, the relevance of these rates is that they are actual calculated CVD rates for PRC programs, from which the non-cooperative respondent could actually receive a benefit. Due to the lack of participation by the non-responsive companies and the resulting lack of record information for each concerning these programs, the Department has corroborated the rates it selected to use as AFA to the extent practicable for this preliminary determination.

C. Application of AFA: Export Buyer's Credits

GOC

The Department preliminarily determines that the use of AFA is warranted in determining the countervailability of the Export Buyer's Credits program because the GOC did not provide the requested information needed to allow the Department to fully analyze this program. In our Initial Questionnaire, we requested that the GOC provide the information requested in the Standard Questions Appendix "with regard to all types of financing provided by the China EX-IM under the Buyer Credit Facility."⁷⁸ The Standard Questions Appendix requested various information that the Department requires in order to analyze the specificity and financial contribution of this program, including the following: translated copies of the laws and regulations pertaining to the program, identification of the agencies and types of records maintained for administration of the program, a description of the program and the program application process, program eligibility criteria, and program use data. Rather than responding to the questions in the Appendix, the GOC stated that, "{t}o the best of the GOC's knowledge, none of the Respondent Companies have applied for, used, or benefitted from this program during the POI. Therefore, the appendix is not applicable."⁷⁹

In its initial questionnaire response, the GOC provided a copy of its *7th Supplemental Response in the Countervailing Duty Investigation of Certain Amorphous Silica Fabric from the People's Republic of China*.⁸⁰ Information in that document indicates that the GOC revised this program in 2013.⁸¹ We further requested in the Initial Questionnaire that the GOC also provide original and translated copies of any laws, regulations or other governing documents cited by the GOC in the Export Buyer's Credits Supplemental Questionnaire Response.⁸² This request included the 2013 *Administrative Measures* revisions (2013 Revisions) to the Export Buyer's Credits program. In its response, the GOC failed to provide the 2013 Revisions.⁸³ We, therefore, again

⁷⁸ See Initial Questionnaire at Section II, part II, at 4.

⁷⁹ See GOC IQR at 11.

⁸⁰ *Id.* at Exhibit A-15 (Export Buyer's Credits Supplemental Questionnaire Response).

⁸¹ *Id.*; see also Memorandum to the File, "Placing Information on the Record," dated August 17, 2017, at Document 5 (Citric Acid Verification Report) at 2.

⁸² See Initial Questionnaire at Section II, part II, at 4.

⁸³ See GOC IQR at 13.

requested that the GOC provide the 2013 Revisions and the GOC refused to do so.⁸⁴ Through its response to the Department's initial and supplemental questionnaires, the GOC has twice refused to provide the requested information or any information concerning the 2013 program revision, which is necessary for the Department to analyze how the program functions.

We requested the 2013 *Administrative Measures* revisions (2013 Revisions) because information on the record of this proceeding indicated that the 2013 Revisions affected important program changes. For example, the 2013 Revisions may have eliminated a USD 2 million contract minimum associated with this lending program.⁸⁵ By refusing to provide the requested information, and instead asking the Department to rely upon unverifiable assurances that the 2000 Rules Governing Export Buyers' Credit remained in effect, the GOC impeded the Department's understanding of how this program operates and how it can be verified.

Additional information in the GOC's initial questionnaire response also indicated that the loans associated with this program are not limited to direct disbursements through the EX-IM Bank.⁸⁶ Specifically, the record information indicates that customers can open loan accounts for disbursements through this program with other banks.⁸⁷ The funds are first sent from the EX-IM Bank to the importer's account, which could be at the EX-IM Bank or other banks, and that these funds are then sent to the exporter's bank account.⁸⁸ Given the complicated structure of loan disbursements for this program, the Department's complete understanding of how this program is administered is necessary. Thus, the GOC's refusal to provide the most current 2013 Revisions, which provide internal guidelines for how this program is administered by the EX-IM Bank, impeded the Department's ability to conduct its investigation of this program.

Pursuant to sections 776(a)(2)(A) and (2)(C) of the Act, when an interested party withholds information requested by the Department and significantly impedes a proceeding, the Department uses facts otherwise available. We find that the use of facts otherwise available is appropriate in light of the GOC's refusal to provide the 2013 Revisions. Further, pursuant to section 776(b) of the Act, we find that the GOC, by virtue of its withholding of information and significantly impeding this proceeding, failed to cooperate by not acting to the best of its ability. Accordingly, the application of AFA is warranted. The GOC has not provided sufficient information to determine whether the EX-IM Bank limits the provision of Export Buyer's Credits to business contracts exceeding USD 2 million. Such information is critical to understanding how the Export Buyer's Credits program operates and is critical to the Department's program use determination.

The GOC SQR indicated the GOC's refusal to provide information about the internal administration of the program.⁸⁹ The GOC is the only party that can answer questions about the internal administration of this program, and, thus, absent the requested information, the GOC's

⁸⁴ See GOC SQR at 3.

⁸⁵ See Citric Acid Verification Report.

⁸⁶ See GOC IQR at Exhibit A-15.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ See GOC SQR at 3.

and respondent company's claims of non-use of this program are not verifiable. Therefore, we determine that the GOC has not cooperated to the best of its ability and, as AFA, find that the respondents used and benefited from this program.⁹⁰

Based on the AFA rate selection hierarchy described above, for this program we are using an AFA rate of 10.54 percent *ad valorem*, the highest rate determined for a similar program in the *Coated Paper PRC* proceeding, as the rate for these companies.⁹¹ Additionally, based on the methodology for corroborating secondary information described above, we corroborated the selected rate to the extent possible and find that it is reliable and relevant for use as an AFA rate for the Export Buyer's Credits program.

D. Application of AFA: Government Provision of Hot-Rolled Coiled and Cold-Rolled Coiled Steel for LTAR

GOC: Whether Suppliers of Inputs are "Authorities"

As discussed below in the section "Programs Preliminarily Determined to be Countervailable," the Department is investigating the provision of two inputs for LTAR: hot-rolled coiled steel and cold-rolled coiled steel. We requested information from the GOC regarding the specific companies that produced the input products that Geelong and Tongrun, and their respective cross-owned companies, purchased during the POI. Specifically, we sought information from the GOC that would allow us to determine whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act.⁹² In prior CVD proceedings involving the PRC, the Department has determined that when a respondent purchases an input from a trading company or non-producing supplier, a subsidy is conferred if the producer of the input is an "authority" within the meaning of section 771(5)(B) of the Act and that the price paid by the respondent for the input was for LTAR.⁹³

We asked the GOC, "{p}lease coordinate immediately with the company respondents to obtain a complete list of each company's input suppliers."⁹⁴ Between them, Geelong and Tongrun identified a number of suppliers.⁹⁵ The GOC identified most of these suppliers as being under the management or control of the GOC.⁹⁶ The GOC reported that the remaining suppliers were private companies.⁹⁷

⁹⁰ See the Petition at 29 – 31.

⁹¹ See *Coated Paper PRC*, 75 FR at 70202 (revised rate for "Preferential Lending to the Coated Paper Industry" program).

⁹² See Initial Questionnaire, at section II, D, at pp. 6-12; see also Memorandum to the File, "Certain Tool Chests and Cabinets from the People's Republic of China: Placing Information on the Record," dated August 17, 2017 (Placing Information on Record Memo), at Attachment 4.

⁹³ See, e.g., *CWP from the PRC*, and accompanying CWP IDM at "A. Hot-Rolled Steel for Less Than Adequate Remuneration"; and *Certain Kitchen Shelving and Racks from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 37012 (July 27, 2009), and accompanying Issues and Decision Memorandum at "E. Provision of Wire Rod for Less than Adequate Remuneration."

⁹⁴ See Initial Questionnaire, at section II, D, at pp. 7 and 10.

⁹⁵ See Geelong IQR at Exhibits CVD-27 and CVD-28 and Tongrun IQR at Exhibits D.1 and D.5.

⁹⁶ See GOC IQR at Exhibits D-1 and D-24.

⁹⁷ *Id.*

Regarding the suppliers that the GOC identified as private companies, we asked the GOC to provide information about the involvement of the Chinese Communist Party (CCP) in those companies, including whether individuals in management positions are CCP members, in order to evaluate whether the privately-owned suppliers are “authorities” with the meaning of section 771(B) of the Act.⁹⁸ While the GOC provided a long narrative explanation of the role of the CCP, when asked to identify any owners, members of the board of directors, or managers of the input suppliers who were government or CCP officials during the POI, the GOC explained that there is “no central informational database to search for the requested information.”⁹⁹ The GOC concluded its response to this question by stating “{i}f the Department insists on the necessity of this information, the Department should collect this information through the respondents, via their suppliers directly.”¹⁰⁰ Furthermore, the Department requested that the GOC provide the articles of incorporation, capital verification reports, business licenses and tax registration, again in order to analyze whether these suppliers meet the meaning of section 771(B) of the Act.¹⁰¹ However, in response to the Department’s request for information, the GOC provided only the ownership structure and basic business registration information.¹⁰² When we reiterated our requests for this information in a supplemental questionnaire, the GOC did not provide it.¹⁰³

With regard to the ownership of the suppliers that the respondents identified and for whom the GOC provided no information, as well as the suppliers that the GOC identified as private companies but for whom the GOC did not provide the requested information regarding CCP involvement, we preliminarily determine that the GOC withheld necessary information that was requested of it. Accordingly, the Department is relying on “facts otherwise available” in issuing its preliminary determination, pursuant to section 776(a)(2)(A) of the Act. Moreover, we find that the GOC failed to cooperate by not acting to the best of its ability to comply with the Department’s request for information. Consequently, we preliminarily determine that an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act.

In sum, as AFA, we preliminarily determine that all of the domestic Chinese producers that produced hot-rolled coiled steel and cold-rolled coiled steel purchased by Geelong and Tongrun during the POI are “authorities” within the meaning of section 771(5)(B) of the Act.¹⁰⁴

GOC: Whether the Government Provision of Hot-Rolled Coiled Steel/Cold-Rolled Coiled Steel for LTAR are Specific

As discussed previously, the Department is investigating the provision of two inputs for LTAR: hot-rolled coiled steel and cold-rolled coiled steel. We requested information from the GOC regarding the industries that purchased these inputs directly. Specifically, we sought information from the GOC that would allow us to determine whether these subsidies are specific within the

⁹⁸ See Initial Questionnaire at Section II, Input Producer Appendix, Question B.3.

⁹⁹ See, e.g., GOC IQR at 35.

¹⁰⁰ *Id.* at 46.

¹⁰¹ See Initial Questionnaire at Section II, Input Producer Appendix, Question A.2.

¹⁰² See GOC IQR at Exhibits D-2 and D-25.

¹⁰³ See GOC SQR at 4-5.

¹⁰⁴ See, e.g., *Aluminum Extrusions PRC Final*, and accompanying Issues and Decision Memorandum.

meaning of section 771(5A)(D)(iii)(I) of the Act.¹⁰⁵ The Department requests such information for purposes of its *de facto* specificity analysis. In response to the Department's request, the GOC provided a list of industries that used ferroalloy metal in 2012, an excerpt of the national standard on "Industries Classification in National Economy," which reflect all the economic activities in the PRC and includes steel producer sectors, an excerpt of the general categorization of all economic activities under the United Nation's "International Standard Industrial Classification for All Economic Activities (ISIC)," and Section C on the manufacturing sectors under the ISIC (Rev.4), under which the Chinese manufacturing categorization is developed, including those of steel and steel user industrial sectors.¹⁰⁶ Additionally, the GOC stated that it does not collect official data regarding the industries in the PRC that purchase hot-rolled coiled steel and cold-rolled coiled steel directly.¹⁰⁷ This information submitted by the GOC, however, is insufficient because it does not report the actual PRC industries that purchased hot-rolled coiled steel and cold-rolled coiled steel, the volume and value of each industry's respective purchases for the POI, and the prior two years, as we requested. When we reiterated our requests for this information in a supplemental questionnaire, the GOC did not provide it.¹⁰⁸

Consistent with past proceedings, we preliminarily determine that this claim is contradicted by the GOC's submission of a list of industries that used ferroalloy metal in 2007.¹⁰⁹ Therefore, consistent with past proceedings,¹¹⁰ we preliminarily determine that necessary information is not available on the record and that the GOC has withheld information that was requested of it, and, thus, that the Department must rely on "facts available" in making its preliminary determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. Moreover, we find that the GOC failed to cooperate by not acting to the best of its ability to comply with the Department's request for information. Consequently, an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of hot-rolled coiled steel and cold-rolled coiled steel are specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. We note that that the Department has previously found a similar program (*i.e.*, the provision of hot-rolled steel) in the PRC to be specific because hot-rolled steel is only provided to steel consuming industries, and thus, is only provided to a limited number of industries;¹¹¹ by the same logic, the provision of cold-rolled steel in the PRC is also specific.

¹⁰⁵ See Initial Questionnaire, at section II, D, at pp. 6-12.

¹⁰⁶ See the GOC's IQR at Exhibits D-11, D-12, and D-13.

¹⁰⁷ *Id.* at 57 and 79.

¹⁰⁸ See GOC SQR at 6-7.

¹⁰⁹ 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*), and accompanying Issues and Decision Memorandum at Comment 13 (where the Department found that the GOC's list of industries that used ferroalloy metal in 2002 supported a conclusion that the GOC tracks industry consumption information and failed to comply with our request for information). See also *Drawn Stainless Steel Sinks from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 13017 (February 26, 2013) (*Sinks from the PRC*), and accompanying Issues and Decision Memorandum at Comment 8 (where the GOC provided a list of industries that purchased the input).

¹¹⁰ See *Wind Towers*, and accompanying Issues and Decision Memorandum at Comment 13.

¹¹¹ See, *e.g.*, *High Pressure Steel Cylinders from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012) (*Steel Cylinders from the PRC*), and accompanying Issues and Decision Memorandum at 17.

GOC: Whether the Hot-Rolled Coiled Steel/Cold-Rolled Markets are Distorted

The GOC reported that it does not have specific data regarding hot-rolled coiled steel as it is not an industry category of statistics.¹¹² Instead, the GOC reported data regarding mid-thick wide steel strip (wide strip) and hot-rolled thin and wide steel strip (thin strip), which the GOC asserts together constitute the category closest to the requested hot-rolled coiled steel industry.¹¹³ As non-adverse facts available, we are preliminarily accepting the data regarding mid-thick wide steel strip and hot-rolled thin and wide steel strip as the only available surrogate for data regarding hot-rolled coiled steel.

The GOC reported that it does not have specific data regarding cold-rolled coiled steel as it is not an industry category of statistics.¹¹⁴ Instead, the GOC reported data regarding cold-rolled thin and wide steel strip (cold strip), which the GOC asserts is the category closest to the requested cold-rolled coiled steel industry.¹¹⁵ As non-adverse facts available, we are preliminarily accepting the data regarding mid-thick wide steel strip and hot-rolled thin and wide steel strip as the only available surrogate for data regarding cold-rolled coiled steel.

E. Application of AFA: Provision of Electricity for LTAR

GOC

The GOC did not provide complete responses to the Department's questions regarding the alleged provision of electricity for LTAR. These questions requested information needed to determine whether the provision of electricity constituted a financial contribution within the meaning of section 771(5)(D) of the Act, whether such a provision provided a benefit within the meaning of section 771(5)(E) of the Act, and whether such a provision was specific within the meaning of section 771(5A) of the Act.

In order for the Department to analyze the financial contribution and specificity of this program, we requested that the GOC provide information regarding the roles of provinces, the National Development and Reform Commission (NDRC), and cooperation between the provinces and the NDRC in electricity price adjustments. Specifically, the Department requested, *inter alia*: Provincial Price Proposals for each province in which mandatory respondents or any company "cross-owned" with those respondents is located for applicable tariff schedules that were in effect during the POI; all original NDRC Electricity Price Adjustment Notice(s) that were in effect during the POI; the procedure for adjusting retail electricity tariffs and the role of the NDRC and the provincial governments in this process; the price adjustment conferences that took place between the NDRC and the provinces, grids and power companies with respect to the creation of all tariff schedules that were applicable to the POI; the cost elements and adjustments that were discussed between the provinces and the NDRC in the price adjustment conferences; and how the NDRC determines that the provincial level price bureaus have accurately reported

¹¹² See GOC IQR at 48.

¹¹³ *Id.*

¹¹⁴ See GOC IQR at 74.

¹¹⁵ *Id.*

all relevant cost elements in their price proposals with respect to generation, transmission and distribution. The Department requested this information in order to determine the process by which electricity prices and price adjustments are derived, identify entities that manage and impact price adjustment processes, and examine cost elements included in the derivation of electricity prices in effect throughout the PRC during the POI.

In its initial questionnaire response, the GOC stated that “{w}ith the Notice of the NDRC on Completing Price Linkage Mechanism Between Coal and Electricity... which went into effect on January 1, 2016, the electricity price adjustment that happened on January 1, 2016 was purely generated by the fluctuation of thermal coal prices which are decided by the market.”¹¹⁶ The GOC further stated that “{s}ince January 1, 2016, all the provincial governments, including Jiangsu and Guangdong, have been given authority to prepare and publish the schedules of electricity tariff rates for their own jurisdictions under the Notices published and enforced by the NDRC, while providing NDRC with the notices of {their price} schedules for its records.”¹¹⁷ Therefore, according to the GOC, Provincial Price Proposals did not exist during the POI.¹¹⁸ Consequently, according to the GOC, the NDRC no longer has any impact on prices, which are set autonomously at the provincial level. The GOC contends that electricity prices in China are based on purely market mechanisms and reflect market supply and demand.¹¹⁹ The GOC states that the NDRC price adjustment notice in effect during the POI, Number 3105, was issued on December 27, 2015, and that the only corresponding regulation lies in Article 4 of the *Notice on Reducing the On-Grid Electricity Price of Coal-fired Electricity from NDRC* ... which went into effect on April 20, 2015 and only dealt with the elimination of the preferential electricity price of fertilizer production.¹²⁰ In a subsequent questionnaire response, the GOC confirmed that Notices 748, 3105, and 3169 are the most recent central government measures mandating delegation of what it claims to be electricity pricing authority to the provinces.¹²¹

Article 1 of Notice 748 stipulates a lowering of the on-grid sales price of coal-fired electricity by an average amount per kilowatt hour.¹²² Annex 1 of Notice 748 indicates that this average price adjustment applies to all provinces and at varying amounts.¹²³ Article 2 indicates that this price reduction is to be “mainly used for reducing the price of industrial and commercial electricity.”¹²⁴ Articles 3 and 4 specifically direct the reduction of the sales price of industrial and commercial electricity.¹²⁵ Articles 6 and 7, respectively, indicate that provincial pricing authorities shall “develop and issue specific adjustment plan of electricity price and sales price in accordance with the the average price adjustment standards of Annex 1, and reported to our Commission for the record,” and that the “above price adjustment should be implemented since

¹¹⁶ See GOC IQR, at 83 and Exhibit D-30 (Notice 3169).

¹¹⁷ *Id.* at 85.

¹¹⁸ *Id.*

¹¹⁹ *Id.* at 83.

¹²⁰ *Id.* at 85, Exhibit D-29 (Notice 3105), and Exhibit D-35 (Notice 748).

¹²¹ See GOC SQR at 11.

¹²² See GOC IQR at Exhibit D-35.

¹²³ See GOC SQR at Exhibit D-43.

¹²⁴ See GOC IQR at Exhibit D-35.

¹²⁵ *Id.*

April 20, 2015.”¹²⁶ Lastly, Article 10 directs that “{l}ocal price departments shall organize and arrange carefully to put in place the electricity price adjustment measures.”¹²⁷

NDRC Notice 3105, which was based upon consultations between the NDRC and the National Energy Administration, directs additional price reductions, and stipulates at Articles II and X, that local price authorities shall implement in time the price reductions included in its Annex and report resulting prices to the NDRC.¹²⁸

Article 2 of NDRC Notice 3169 provides that, when the “thermal coal price is fluctuated for more than {Renminbi (RMB)} 30 Yuan (inclusive) comparing with benchmark coal price during the cycle,” then an adjustment must be made pursuant to a “tiered regressive linkage for {the} excess portion” using a “linkage coefficient” which is also defined in Article 2.¹²⁹ Article 3 stipulates that “{b}enchmark on-grid electricity price of coal-fired machine unit should be strictly measured and determined by coal-electricity price linkage mechanism” using a specific formula defined in Appendix 1 of Notice 3169.¹³⁰ Article 3 further stipulates that the “industrial and commercial electricity price should be correspondingly adjusted; adjustment level should be determined by on-grid electric quantity of coal-fired machine unit, on-grid electric quantity of other power sources, outsourced electric quantity condition, energy-saving and eco-friendly electricity price and other factors” using a specific formula defined in Appendix 1 of Notice 3169.¹³¹

Consequently, both Notice 748 and Notice 3105 explicitly direct provinces to reduce prices and to report the enactment of those changes to the NDRC. Neither Notice 748 nor Notice 3105 explicitly stipulates that relevant provincial pricing authorities determine and issue electricity prices within their own jurisdictions, as the GOC states to be the case.¹³² Rather, both notices indicate that the NDRC continues to play a seminal role in setting and adjusting electricity prices, by mandating average price adjustment targets with which the provinces are obligated to comply in setting their own specific prices.¹³³ Moreover, while Article IV of Notice 3169 does indicate that “local government and relevant departments should not designate the transaction price,” Articles 2 and 3 of Notice 3169 also makes clear that the NDRC stipulates the formulae by which prices are to be adjusted.

In a supplemental questionnaire, the Department requested that the GOC identify the legislation which may have eliminated the Provincial Price Proposals. The GOC referred the Department to Notice 3105 and Notice 3169.¹³⁴ As discussed above, these documents, issued by the NDRC, direct provinces to reduce prices by amounts specific to provinces and provide specific formulae by which price adjustments must be made. They neither explicitly eliminate Provincial Price

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ *Id.* at Exhibit D-29.

¹²⁹ *Id.* at D-30.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.* at 83.

¹³³ *See, e.g.*, Notice 748 Article 10 and Notice 3105 Articles II and X.

¹³⁴ *See* GOC SQR, at 9.

Proposals nor define distinctions in price-setting roles between national and provincial pricing authorities. Additionally, we requested that the GOC explain whether the province-specific price reductions indicated in Notice 748 were required to be adopted by all provinces. The GOC responded that “{t}he pricing values indicated in the Appendices are average reduction standards for on-grid prices and industrial and commercial electricity prices, and the benchmark prices of coal-fired, on-grid electricity prices after adjustment” and claimed that “{t}hese are not the same kind of electricity prices published by provincial pricing departments.”¹³⁵ This response does not accord with the directive language in Notice 748, as discussed above. Finally, we requested that the GOC explain what action the NDRC would take were any province not to comply with the directed price changes. The GOC responded that “{s}ince this mechanism is newly established, this issue has not occurred,” and failed to explain what actions the NDRC would take in the event of non-compliance with directed price changes.¹³⁶

The Department additionally requested that the GOC explain, with supporting documentation, how the pricing values indicated in the Appendix to Notice 748 were derived, including the specific factors or information relied upon by the NDRC. In response, the GOC merely repeated its initial explanation, as discussed above.¹³⁷ Subsequently, the GOC failed to identify and provide the sources of information on which this explanation was based.¹³⁸ We asked the GOC whether Notice 748 and Notice 3105 coincided with price changes set forth at the provincial level. It did not respond directly, but rather only reasserted that these notices delegate price setting authority to the provinces.¹³⁹

In addition to our request for a detailed explanation of how the NDRC derived the price reduction amounts indicated in Notice 748 and Notice 3105, we requested that the GOC explain the factors and information the Jiangsu Province and Guangdong Province price bureaus relied upon to generate their submitted price adjustments and tariffs.¹⁴⁰ In its response, the GOC repeated its previously submitted, aforementioned responses regarding price derivation, *i.e.* that “price authorities” investigate price and cost, and that, for a variety of reasons, electricity rates reflect market supply and demand.¹⁴¹ As part of its response to this question, the GOC again failed to provide requested sources and relevant documentation to support its statements.¹⁴²

As explained above, the GOC failed on multiple occasions to explain the roles and nature of cooperation between the NDRC and provinces in deriving electricity price adjustments. Further, the GOC failed to explain both the derivation of the price reductions directed to the provinces by the NDRC and the derivation of prices by provinces themselves. Consequently, we preliminarily determine that the GOC withheld information that was requested of it for our analysis of financial contribution and specificity and, thus, the Department must rely on “facts available” in

¹³⁵ *Id.* at 12.

¹³⁶ *Id.*

¹³⁷ *Id.* at 7.

¹³⁸ *Id.* at 8.

¹³⁹ *Id.*

¹⁴⁰ *See* GOC IQR at 13. Both the Jiangsu Province and Guangdong Province price adjustment notices indicate compliance with the price reductions stipulated in Notice 748.

¹⁴¹ *Id.*

¹⁴² *Id.*

making our preliminary determination.¹⁴³ 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. We also note that the GOC did not ask for additional time to gather and provide such information. Consequently, an adverse inference is warranted in the application of facts available.¹⁴⁴ In drawing an adverse inference, we find that the GOC's provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and is specific within the meaning of section 771(5A) of the Act. The GOC failed to provide certain requested information regarding the relationship (if any) between provincial tariff schedules and cost, as well as requested information regarding cooperation (if any) in price setting practices between the NDRC and provincial governments. Therefore, we are also drawing an adverse inference in selecting the benchmark for determining the existence and amount of the benefit.¹⁴⁵ The benchmark rates we selected are derived from the record of this investigation and are the highest electricity rates on the record for the applicable rate and user categories. For details regarding the remainder of our analysis, *see* the "Provision of Electricity for LTAR" section.

F. Application of AFA: Grants

GOC

Tongrun reported receiving grants from the GOC under the GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands program and the SME International Market Exploration/Development Fund program. In response to our requests for information, the GOC responded that "{g}iven the negligible amount of the benefits received by the Respondent Companies, the GOC is not providing responses to the requested appendices."¹⁴⁶

Based upon the above, we preliminarily determine that necessary information to determine whether these grants are specific and provide a financial contribution is not available on the record and that the GOC withheld information that was requested of it, and, thus, that the Department must rely on "facts available" in making its preliminary determination in accordance with sections 776(a)(1) and 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 pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of these grants is specific within the meaning of section 771(5A)(B) of the Act and constitute a financial contribution pursuant to section 771(5)(D)(i) of the Act.

¹⁴³ *See* section 776(a)(2)(A) of the Act.

¹⁴⁴ *See* section 776(b) of the Act.

¹⁴⁵ *See* section 776(b)(2)(D) of the Act.

¹⁴⁶ *See* GC IQR at 96.

G. Application of AFA: “Other Subsidies”

GOC

While both Tongrun and Geelong self-reported receiving “Other Subsidies” in their responses, the GOC stated that:

The Department has requested information on numerous programs in this investigation. The responding companies and the GOC have cooperated to the best of their ability to provide the information requested. The GOC further notes that Article 11.2 of the *WTO Agreement on Subsidies and Countervailing Measures* dictates that investigations may not be initiated on the basis of ‘simple assertion, unsubstantiated by relevant evidence.’ Sufficient evidence with regard to the existence, amount, and nature of a subsidy must be presented for the Department to initiate the investigation of another program, consistent with Article 11.2(iii). The GOC believes, therefore, that an answer to this question is premature absent a more direct inquiry supported by credible evidence and the initiation of a discrete investigation by the Department.¹⁴⁷

We issued a supplemental questionnaire to the GOC requesting full responses regarding the respondents’ initially-reported “Other Subsidies.” In its response, the GOC acknowledged providing a financial contribution with respect to the respondents’ self-reported subsidies.¹⁴⁸ However, the GOC provided no information regarding the criteria governing the eligibility for and receipt of any assistance under these programs.¹⁴⁹

Based upon the above, we preliminarily determine that necessary information to determine whether these initially-reported “Other Subsidies” are specific is not available on the record and that the GOC withheld information that was requested of it, and, thus, that the Department must rely on “facts available” in making its preliminary determination in accordance with sections 776(a)(1) and 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 pursuant to section 776(b) of the Act. In drawing an adverse inference, we determine that the following grants confer a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act, and are specific either under section 771(5A)(B) or 771(5A)(D) of the Act (as appropriate, depending on whether the respondent reported the grant as export-related or as a domestic subsidy).

¹⁴⁷ See GOC IQR, at 29.

¹⁴⁸ See GOC SQR at 18.

¹⁴⁹ *Id.*

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.¹⁵⁰ In the Initial Questionnaire, we notified the respondents to this proceeding that the AUL period would be 10 years, pursuant to 19 CFR 351.524(d)(1) and the U.S. Internal Revenue Service Publication 946 (2017), “Appendix B - Table of Class Lives and Recovery Periods” (IRS Pub. 946).¹⁵¹ The 10-year period corresponds to IRS Pub. 946 asset class, “35.0 “Manufacture of Electrical and Non-Electrical Machinery and Other Mechanical Products.” No party in this proceeding submitted comments challenging the proposed AUL period, and we therefore preliminarily determine that a 10-year period is appropriate to allocate benefits from non-recurring subsidies.

Furthermore, for non-recurring subsidies, we 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 year in which the assistance was approved. 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 over the AUL.

B. Attribution of Subsidies

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) provide 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 standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. The preamble to the Department’s regulations further clarifies the Department’s cross-ownership standard. According to the preamble, relationships captured by the cross-ownership definition include those where:

{T}he 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

¹⁵⁰ See 19 CFR 351.524(b).

¹⁵¹ See U.S. Internal Revenue Service Publication 946 (2017), “How to Depreciate Property” at Table B-2: Table of Class Lives and Recovery Periods.

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.¹⁵²

Thus, the Department’s regulations make clear that the agency must look at the facts presented in each case to determine whether cross-ownership exists. The U.S. Court of International Trade 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.¹⁵³

Tongrun

Tongrun identified itself as a privately-owned Chinese producer and exporter of the subject merchandise.¹⁵⁴ In addition, in its AQR, Tongrun identified the five following cross-owned companies as companies that either produced subject merchandise or were holding companies: Taron Machinery, Tongrun M&E Equipment, Jack Factory, Taron I&E, and General Electrical Factory. Tongrun reported that all five of these firms were affiliated with Tongrun and that they met the Department’s regulatory criteria for cross-ownership as provided for in 19 CFR 351.525(b)(6).¹⁵⁵ Specifically, Tongrun reported that Jack Factory owns a majority of shares in Tongrun, that Tongrun owns a majority of shares in Taron I&E and General Electric Factory, and that Taron I&E and General Electric Factory own a majority of shares in Taron Machinery and Tongrun M&E Equipment, respectively.¹⁵⁶ Moreover, Taron Machinery and Tongrun M&E Equipment meet the regulatory definition of cross-ownership as producers of subject merchandise,¹⁵⁷ while Jack Factory, Taron I&E, and General Electric Factory meet the regulatory definition of cross-ownership as holding companies.¹⁵⁸

Geelong

Geelong identified itself as a privately-owned Chinese producer and exporter of the subject merchandise.¹⁵⁹ In addition, Geelong identified Geelong Sales (Macao Commercial Offshore) Limited (MCO) as an affiliated trading company located in Macau, which exports subject merchandise to the United States and other countries.¹⁶⁰ Pursuant to the Department’s regulations, any benefits from subsidies provided to MCO shall be cumulated with benefits from

¹⁵² See *Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).

¹⁵³ See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

¹⁵⁴ See Tongrun IQR at cover letter.

¹⁵⁵ See Tongrun AQR, at 3-4 and Exhibit A.1.

¹⁵⁶ *Id.*

¹⁵⁷ See 19 C.F.R. 351.525(b)(6)(ii).

¹⁵⁸ See 19 C.F.R. 351.525(b)(6)(iii).

¹⁵⁹ See Geelong IQR at cover letter.

¹⁶⁰ *Id.* at 1.

subsidies provided to Geelong, the firm which is producing subject merchandise that is sold through MCO.¹⁶¹ However, we preliminarily determine that MCO received no subsidies from the GOC because the loans were from an Australian and New Zealand privately-owned financial institution.¹⁶²

C. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, the Department considers the basis for the respondents' receipt of benefits under each program. As discussed in further detail below in the "Programs Preliminarily Determined to be Countervailable" section, where the program has been found to be countervailable as a domestic subsidy, we used the recipient's total sales as the denominator (or the total combined sales of the cross-owned affiliates, as described above). Where the program has been found to be contingent upon export activities, we used the recipient's total export sales as the denominator. All sales used in our net subsidy rate calculations are net of intra-company sales. For a further discussion of the denominators used, *see* the Tongrun Preliminary Calculation Memorandum and the Geelong Preliminary Calculation Memorandum.¹⁶³

IX. BENCHMARKS AND INTEREST RATES

The Department is investigating loans received by the respondents and their cross-owned affiliates from Chinese policy banks and SOCBs, as well as non-recurring, allocable subsidies received by both mandatory respondents.¹⁶⁴ The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

A. Short-Term and Long-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.¹⁶⁵ 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."¹⁶⁶

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 PRC

¹⁶¹ See 19 CFR 351.525(c).

¹⁶² See Geelong SQR2 at 4.

¹⁶³ See Memorandum, "Jiangsu Tongrun Equipment Technology Co., Ltd.; Calculations for the Preliminary Determination," dated September 8, 2017 (Tongrun Preliminary Calculation Memorandum); and Memorandum, "Zhongshan Geelong Manufacturing Co., Ltd.; Calculations for the Preliminary Determination," dated September 8, 2017 (Geelong Preliminary Calculation Memorandum).

¹⁶⁴ See 19 CFR 351.524(b)(1).

¹⁶⁵ See 19 CFR 351.505(a)(3)(i).

¹⁶⁶ See 19 CFR 351.505(a)(3)(ii).

banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market.¹⁶⁷ In an analysis memorandum dated July 21, 2017, the Department conducted a re-assessment of the lending system in the PRC.¹⁶⁸ Based on this re-assessment, the Department has concluded that, despite reforms to date, the GOC's role in the system continues to fundamentally distort lending practices in the PRC in terms of risk pricing and resource allocation, precluding the use of interest rates in the PRC for CVD benchmarking or discount rate purposes. Consequently, we preliminarily find that any loans received by the respondents from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). 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 Chinese 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.¹⁶⁹

In past proceedings involving imports from the PRC, we calculated the external benchmark using the methodology first developed in *CFS from the PRC* and later updated in *Thermal Paper from the PRC*.¹⁷⁰ Under that methodology, we first determine which countries are similar to the PRC in terms of gross national income, based on the World Bank's classification of countries as: low income; lower-middle income; upper-middle income; and high income. As explained in *CFS from the PRC*, this pool of countries captures the broad inverse relationship between income and interest rates. For 2003 through 2009, the PRC fell in the lower-middle income category.¹⁷¹ Beginning in 2010, however, the PRC was classified in the upper-middle income category and remained there from 2011 to 2014.¹⁷² Accordingly, as explained below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2003-2009, and we used the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2014. This is consistent with the Department's calculation of interest rates for recent CVD proceedings involving PRC merchandise.¹⁷³

After the Department identifies the appropriate interest rates, the next step in constructing the benchmark is to incorporate an important factor in the interest rate formation, the strength of

¹⁶⁷ See CFS IDM at Comment 10.

¹⁶⁸ See Placing Information on Record Memo at Attachments 1 and 2.

¹⁶⁹ 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) (*Lumber from Canada*), and accompanying Issues and Decision Memorandum at "Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit."

¹⁷⁰ See CFS IDM at Comment 10; see also *Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from the PRC*), and accompanying Issues and Decision Memorandum (Thermal Paper IDM) at 8-10.

¹⁷¹ See World Bank Country Classification, <http://data.worldbank.org/about/country-and-lending-groups> (World Bank Country Classification); see also Tongrun Preliminary Calculation Memorandum.

¹⁷² See World Bank Country Classification.

¹⁷³ See, e.g., *Certain Frozen Warmwater Shrimp from the People's Republic of China: Preliminary Countervailing Duty Determination*, 78 FR 33346 (June 4, 2013), and accompanying Preliminary Decision Memorandum at "Benchmarks and Discount Rates" (unchanged in *Shrimp from the PRC*).

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 2003-2009 and 2011-2014, the results of the regression analysis reflected the expected, common-sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates.¹⁷⁴ For 2010, however, the regression does not yield that outcome for the PRC's income group.¹⁷⁵ 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 2011-2014. 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 (IMF), 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 2010-2014 and "lower middle income" for 2001-2009.¹⁷⁶ First, we did not include those economies that the Department considered to be NMEs for AD purposes for any part of the years in question, for example: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Turkmenistan. Second, the pool necessarily excludes any country that did not report both lending and inflation rates to IFS for those years. Third, we remove any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments. 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.¹⁷⁷ Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.¹⁷⁸

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.¹⁷⁹

In *Citric Acid from the PRC*, 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

¹⁷⁴ See Memorandum to file, "Certain Tool Chests and Cabinets from the People's Republic of China: Interest Rate Benchmark Memorandum," dated September 8, 2017, Interest Rate Benchmark Memorandum.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

¹⁷⁹ See, e.g., Thermal Paper IDM at 10.

or approximates the number of years of the term of the loan in question.¹⁸⁰ Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component. The resulting inflation-adjusted benchmark lending rates are provided in the Interest Rate Benchmark Memorandum.

B. 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 GOC provided non-recurring subsidies. The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Tongrun Preliminary Calculation Memorandum and the Geelong Preliminary Calculation Memorandum.

C. Input Benchmarks

The basis for identifying comparative benchmarks for determining whether a government good or service is provided for LTAR is set forth in 19 CFR 351.511(a)(2). 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 1); (2) world market prices that would be available to purchasers in the country under investigation (Tier 2); or (3) an assessment of whether the government price is consistent with market principles (Tier 3).

In order to determine the appropriate benchmark with which to measure the benefits of inputs provided at LTAR under 19 CFR 351.511, the Department asked the GOC several questions concerning the structure of the industries for hot-rolled coiled steel and cold-rolled coiled steel. In response, the GOC provided the requested information regarding the number of domestic producers of each input, the number of such producers in which the GOC maintains and ownership or management interest, the total volume of production of each input, the volume and value of imports, exports and domestic consumption, and the rate of import tariffs in effect.¹⁸¹ For each input, we analyzed this information to determine whether domestic prices for the input in question can be used as the Tier 1 benchmark provided in 19 CFR 351.511(a)(2)(i):

{the Department} will normally seek to measure the adequacy of remuneration by comparing the government price to a market-determined price for the good... resulting from actual transactions in the country in question. Such a price could include prices stemming from actual transactions between private parties, {or} actual imports... In choosing such transactions or sales, {the Department} will consider product similarity; quantities sold {or} imported; and any other factors affecting comparability.

For all of the inputs, as discussed above in the section entitled “Use of Facts Otherwise Available and Adverse Inferences,” we preliminarily determine that Tongrun’s and Geelong’s suppliers are

¹⁸⁰ 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*), and accompanying Issues and Decision Memorandum at Comment 14.

¹⁸¹ See GOC IQR, at 48-52 and 74-76.

“authorities.” Therefore, prices from their suppliers do not constitute market-determined prices. Below we analyze the information provided and the selection of a benchmark for each input.

1. *Hot-Rolled Coiled Steel*

As described above, as non-adverse facts available, we are preliminarily accepting the data regarding mid-thick wide steel strip and hot-rolled thin and wide steel strip as the only available surrogate for data regarding hot-rolled coiled steel.

The GOC reported that, of the 81 wide strip producers and 86 thin strip producers in operation during the POI, the GOC maintains an ownership or management interest in 39 wide strip producers and 44 thin strip producers.¹⁸² According to data provided by the GOC, these state-owned producers account for 60.89 percent of domestic wide strip production during the POI and 55.28 percent of domestic thin strip production during the POI.¹⁸³ This level of GOC-controlled production is substantial. The data provided by the GOC also show that the volume of imports as a percentage of domestic production and consumption (1.20 and 1.34 percent, respectively, for wide strip and 1.37 and 1.35 percent, respectively, for thin strip), is insignificant. Based on these facts, we preliminarily determine that domestic prices in the PRC for hot-rolled coiled steel are distorted such that they cannot be used as a Tier 1 benchmark. For the same reasons, we preliminarily determine that import prices into the PRC cannot serve as a Tier 1 benchmark.¹⁸⁴ Thus, to measure the adequacy of remuneration for the provision of hot-rolled coiled steel, we are relying on world market prices as the Tier 2 benchmark provided for in 19 CFR 351.511(a)(2)(ii).

As discussed in more detail in the “Cold-Rolled Coiled Steel” section, below, we are placing on the record information from the Global Trade Atlas (GTA) for all Harmonized Tariff Schedule (HTS) numbers reported by the respondents for hot-rolled coiled steel and we used this information as benchmark prices.¹⁸⁵ Because the data placed on the record by the Department is specific to the input, we did not use the GTA data submitted by the petitioner.¹⁸⁶ We also did not use the monthly price data from AMM, Steel Orbis, Platts, or CRU which Tongrun and Geelong submitted because these are summaries of raw data that were not included in the submission, which, for that reason, we find unverifiable and, thus, unreliable for our benchmarking purposes.¹⁸⁷ Moreover, we did not use the GTA data submitted by Geelong because the information only covered exports from ten countries and imports into Bulgaria, which is a subset of global exports and imports and does not include, for example, exports from the United States, India, or any European country.¹⁸⁸

¹⁸² *Id.* at 49.

¹⁸³ *Id.* at 52.

¹⁸⁴ See, e.g., *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 at 22 and Comment 14.

¹⁸⁵ See Memorandum to file, “Certain Tool Chests and Cabinets from the People’s Republic of China: Placing Global Trade Atlas Data on the Record,” dated September 8, 2017 (GTA Memorandum).

¹⁸⁶ See PBS at Attachment 1.

¹⁸⁷ See TBS at Exhibit 2; and GBS at Exhibit 2.

¹⁸⁸ See GBS at Exhibit 2.

Pursuant to 19 CFR 351.511(a)(2)(iv), benchmarks should reflect “delivered prices” and should include import and delivery charges. As such, where appropriate, we added freight charges, VAT, and import duties applicable on purchases in order to calculate a price that a respondent company would have paid on the world market for these inputs. With respect to ocean freight, we used the benchmark prices submitted by the petitioner.¹⁸⁹ We did not use the ocean-freight prices submitted by Geelong because those prices were not monthly and did not appear to pertain to the POI.¹⁹⁰ We did not use the ocean-freight prices submitted by Tongrun because the supporting documentation indicated that they were “{e}stimates of freight charges” which “are furnished as a convenience to the shipping public and represent nothing more than an approximation of freight charges which is not binding either on the carrier or shipper.”¹⁹¹ As a result, we preliminarily determine that these ocean freight prices are unreliable for our benchmarking purposes. With respect to VAT and import duties, we used the percentages reported by the GOC.¹⁹² With respect to inland freight between the port and the factory, we relied on the freight expenses reported by the respondents.¹⁹³

The Tier 2 benchmarks for hot-rolled coiled steel we used in our preliminary calculations are provided in the GTA Memorandum.

2. *Cold-Rolled Coiled Steel*

As described above, as non-adverse facts available, we are preliminarily accepting the data regarding mid-thick wide steel strip and hot-rolled thin and wide steel strip as the only available surrogate for data regarding cold-rolled coiled steel.

The GOC reported that of the 138 cold strip producers in operation during the POI, the GOC maintains an ownership or management interest in 49.¹⁹⁴ According to data provided by the GOC, these five producers account for 76.41 percent of domestic cold strip production during the POI.¹⁹⁵ This level of GOC-controlled production is substantial. The data provided by the GOC also show that the volume of imports as a percentage of domestic production and consumption (3.95 and 4.02 percent, respectively), is insignificant. Based on these facts, we preliminarily determine that domestic prices in the PRC for cold-rolled coiled steel are distorted such that they cannot be used as a Tier 1 benchmark. For the same reasons, we preliminarily determine that import prices into the PRC cannot serve as a Tier 1 benchmark.¹⁹⁶ Thus, to measure the adequacy of remuneration for the provision of cold-rolled coiled steel, we are relying on world

¹⁸⁹ See PBS at Attachment 2.

¹⁹⁰ See GBS at Exhibit 3. The price quotes do not contain a date; the only date indicated in the documents (*i.e.*, 6/11/2017) is a header that displays when the price quotes were generated. Because, it appears that the price quotes pertain to June 11, 2017, they do not pertain to the POI.

¹⁹¹ See TRBS at Exhibit 1.

¹⁹² See GOC IQR at 56; *see also* 19 CFR 351.511(a)(2)(iv).

¹⁹³ See Tongrun IQR, at Exhibit D.3; and Geelong SQR at Exhibit CVD-61.

¹⁹⁴ *Id.* at 74.

¹⁹⁵ *Id.* at 76.

¹⁹⁶ See, *e.g.*, *Coated Paper from the PRC*, and accompanying Issues and Decision Memorandum at 22 and Comment 14.

market prices as the Tier 2 benchmark provided for in 19 CFR 351.511(a)(2)(ii).

We did not use the monthly price data from AMM, Steel Orbis, Platts, or CRU which Tongrun and Geelong submitted because these are summaries of raw data that were not included in the submission, which, for that reason, we find unverifiable and, thus, unreliable for our benchmarking purposes.¹⁹⁷ Moreover, we did not use the GTA data submitted by Geelong because the information only covered exports from ten countries and imports into Bulgaria, which is a subset of global exports and imports and does not include, for example, exports from the United States, India, or any European country.¹⁹⁸

The GTA data submitted by the petitioner was for cold-rolled steel that was not in coils.¹⁹⁹ The program alleged in the petition and upon which we initiated, however, was for cold-rolled coiled steel. Therefore, we preliminarily determine that the petitioner's data is not appropriate to use as benchmark prices for this program. Because we had no usable information on the record, we are placing on the record information from the GTA for all HTS numbers reported by the respondents for cold-rolled coiled steel, which is specific to the input, and we used this information as benchmark prices for this preliminary determination.²⁰⁰

Pursuant to 19 CFR 351.511(a)(2)(iv), benchmarks should reflect "delivered prices" and should include import and delivery charges. As such, where appropriate, we added freight charges, VAT, and import duties applicable on purchases in order to calculate a price that a respondent company would have paid on the world market for these inputs. With respect to ocean freight, we used the benchmark prices submitted by the petitioner.²⁰¹ We did not use the benchmark prices submitted by Geelong because those prices were not monthly and did not appear to pertain to the POI.²⁰² We did not use the ocean freight prices submitted by Tongrun because the supporting documentation indicated that they were "{e}stimates of freight charges" which "are furnished as a convenience to the shipping public and represent nothing more than an approximation of freight charges which is not binding either on the carrier or shipper."²⁰³ As a result, we preliminarily determine that these ocean freight prices are unreliable for our benchmarking purposes. With respect to VAT and import duties, we used the percentages reported by the GOC.²⁰⁴ With respect to inland freight between the port and the factory, we relied on the freight expenses reported by the respondents.²⁰⁵

The Tier 2 benchmarks for cold-rolled coiled steel we used in our preliminary calculations are provided in the GTA Memorandum.

¹⁹⁷ See TBS at Exhibit 1; and GBS at Exhibit 1.

¹⁹⁸ See GBS at Exhibit 1.

¹⁹⁹ See PBS at Attachment 1.

²⁰⁰ See GTA Memorandum.

²⁰¹ See PBS at Attachment 2.

²⁰² See GBS at Exhibit 3. The price quotes do not contain a date; the only date indicated in the documents (*i.e.*, 6/11/2017) is a header that displays when the price quotes were generated. Because, it appears that the price quotes pertain to June 11, 2017, they do not pertain to the POI.

²⁰³ See TRBS at Exhibit 1.

²⁰⁴ See GOC IQR at 78; *see also* 19 CFR 351.511(a)(2)(iv).

²⁰⁵ See Tongrun IQR at Exhibit D.3; and Geelong SQR at Exhibit CVD-61.

D. Provision of Electricity for LTAR

As discussed above in the section, “Use of Facts Otherwise Available and Adverse Inferences,” we are relying on AFA to select the highest electricity rates that are on the record of this investigation as our benchmark for measuring the adequacy of remuneration.

X. 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 Tool Chests Industry

The petitioner alleges that the GOC provides policy loans to the tool chests industry at preferential terms as a matter of government policy.²⁰⁶ The Department has countervailed policy lending programs in previous investigations.²⁰⁷ As discussed below, we preliminarily determine that Tongrun used this program during the POI. We preliminarily determine that Geelong did not use this program during the POI because it reported no borrowings from policy banks or SOCBs in the PRC.²⁰⁸

When examining a policy lending program, the Department looks to whether government plans or other policy directives lay out objectives or goals for developing the industry and call for lending to support such objectives or goals. Where such plans or policy directives exist, then it is our practice to find that a policy lending program exists that is *de jure* specific to the targeted industry (or producers that fall under that industry) within the meaning of section 771(5A)(D)(i) of the Act. Once that finding is made, we rely upon the analysis undertaken in *CFS from the PRC*²⁰⁹ to further conclude that national and local government control over the SOCBs render the loans a government financial contribution.

Tongrun and certain of its cross-owned companies, reported having loans from PRC SOCBs that were outstanding during the POI.²¹⁰ The Department preliminarily finds that these loans provide countervailable subsidies under a policy lending program directed at the tool chests industry. Record information indicates the GOC placed great emphasis on targeting the tool chests industry for development throughout recent years. For example, the “*National 12th Five-Year Plans of Economic and Social Development (2011-2015)*” encourages an optimization of the industrial layout in order to “transform and improve the consumer goods industry, and promoting the enlargement and enhancement of manufacturing industries,” including the creation of “advanced manufacturing bases with international competitiveness” and the development of “a

²⁰⁶ See CVD Initiation Checklist at 7.

²⁰⁷ See, e.g., *Sinks from the PRC*, and accompanying Issues and Decision Memorandum (Steel Sinks IDM) at 24-25.

²⁰⁸ See Geelong IQR at Exhibit CVD-25.

²⁰⁹ See *CFS from the PRC*, and accompanying CFS IDM at Comment 8.

²¹⁰ See Tongrun IQR at Exhibit A.1.

number of modern industry clusters with distinctive characteristics, a prominent brand image and a sound service platform.”²¹¹ It also indicates the maintenance of “the current advantage in export markets” and indicates that the GOC “will also speed up the nurturing of new advantages,” including encouraging “enterprises to build up international sales channels to increase their ability to expand international market shares” and “actively develop{ing} emerging markets and promote the diversification of the export market.”²¹² The current “*National 13th Five-Year Plans of Economic and Social Development (2016-2020)*” continues these objectives, calling for “{m}aking a depth adjustment on the structure and revitalize the real economy, promoting the "supply-side" structural reform, fostering the growth of new industries, upgrading traditional industries, accelerating the construction of new modern industrial system with strong innovation ability, excellent service quality, close cooperation and environment friendly.”²¹³

In the Jiangsu Province Iron and Steel Plan, Jiangsu Province (where Tongrun and all of its cross-owned companies are located²¹⁴) has a stated policy of encouraging “small-and-medium-sized iron and steel enterprises” to become “mechanized assembly manufacturers of metal goods,”²¹⁵ a description that includes tool chests. Jiangsu Province further calls to “vigorously stabilize and expand the demand for industrial-use steel from the automobiles, ships, equipment, *etc.* that leading manufacturers require vigorously stabilizing and expand the demand for industrial-use steel from the automobiles, ships, equipment, *etc.* that leading manufacturers require” and “{a}ctively grasp{ing} opportunities for adjustment to iron and steel product export policies and vigorously expand the export market and increase indirect exports.”²¹⁶ One of the means Jiangsu Province provides for in order to accomplish this is to increase financing for supported enterprises through a variety of mechanisms, including commercial bank loans.²¹⁷

Accordingly, we preliminarily determine there is a program of preferential policy lending specific to tool chests 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.” 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.²¹⁸ To calculate the benefit from this program, we used the benchmarks discussed above under the “Subsidies Valuation” section.²¹⁹ To calculate the net countervailable subsidy rate under this program we divided the benefit by the appropriate sales denominator, as described in the “Subsidies Valuation” section above.

²¹¹ See GOC IQR at Exhibit A-7, Chapter 9.

²¹² *Id.* at Exhibit A-7, Chapter 51.

²¹³ See GOC SQR at Exhibit A-18, Chapter V.

²¹⁴ See Tongrun IQR at 4-6.

²¹⁵ See GOC SQR2 at Exhibit A-26, Chapter IV, Part VII.

²¹⁶ *Id.* at Exhibit A-26, Chapter III, Part I.

²¹⁷ *Id.* at Exhibit A-26, Chapter IV, Part III.

²¹⁸ See section 771(5)(E)(ii) of the Act and 19 CFR 351.505(a).

²¹⁹ See 19 CFR 351.505(c).

On this basis, we preliminarily determine a net countervailable subsidy rate of 0.58 percent *ad valorem* for Tongrun.²²⁰

2. Export Buyer's Credits

The petitioner alleges that the Export-Import Bank of China disburses export buyer's credits to purchasers of exported Chinese products, technologies and services, and that they are much lower than that of average commercial loans.²²¹ The Department has countervailed this program in previous investigations.²²²

As explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we preliminarily determine, relying upon AFA, that Tongrun and Geelong used this program during the POI. We also preliminarily determine, based upon AFA, that the program provides a financial contribution and is specific within the meaning of sections 771(5)(D) and 771(5A) of the Act, respectively. We further determine, based upon AFA, that this program provided a benefit to the respondents during the POI within the meaning of section 771(5)(E) of the Act. On this basis, we determine a net countervailable subsidy rate of 10.54 percent *ad valorem* for Geelong and Tongrun.

3. Income Tax Deductions for R&D Expenses Under the Enterprise Income Tax Law

The petitioner alleges that Article 30.1 of the Enterprise Income Tax Law permits Chinese companies to deduct expenditures for researching and developing new technologies, products and techniques from taxable income.²²³ The Department has countervailed this program in previous investigations.²²⁴ Tongrun reported using this program during the POI.²²⁵ Geelong reported that it did not use this program during the POI.²²⁶

Article 30.1 of the Enterprise Income Tax Law of the PRC provides for the deduction of R&D expenditures by companies, which allows enterprises to deduct, through tax deductions, research expenditures incurred in the development of new technologies, products, and processes.²²⁷ Article 95 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax provides that, if eligible research expenditures do not "form part of the intangible assets value," an additional 50 percent deduction from taxable income may be taken on top of the actual accrual amount; where these expenditures form the value of certain intangible assets, the expenditures may be amortized based on 150 percent of the intangible

²²⁰ See Tongrun Preliminary Calculation Memorandum.

²²¹ See CVD Initiation Checklist at 13.

²²² See, e.g., *Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 9714 (February 8, 2017), and accompanying Issues and Decision Memorandum at 10-11.

²²³ See CVD Initiation Checklist at 15.

²²⁴ See, e.g., *Wind Towers*, and accompanying Issues and Decision Memorandum at 18-19.

²²⁵ See Tongrun IQR at 20.

²²⁶ See Geelong IQR at 15.

²²⁷ See GOC IQR at Exhibit B-1.

assets costs.²²⁸

We preliminarily determine that this program provides a countervailable subsidy. This income tax deduction is a financial contribution in the form of revenue foregone by the government, and it provides a benefit to the recipients in the amount of the tax savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also preliminarily determine that the income tax deduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.*, those with R&D in eligible high-technology sectors and, thus, is *de jure* specific under section 771(5A)(D)(i) of the Act.

To calculate the benefit from this program to Tongrun, we treated the tax credits as recurring benefits, consistent with 19 CFR 351.524(c)(1).²²⁹ To compute the amount of the tax savings, we calculated the amount of tax each respondent would have paid absent the tax deductions at the standard tax rate of 25 percent (*i.e.*, 25 percent of the tax credit). We then divided the tax savings by the appropriate total sales denominator, as described above.

On this basis, we preliminarily determine a net countervailable subsidy rate of 0.07 percent *ad valorem* for Tongrun.²³⁰

4. Provision of Hot-Rolled Coiled Steel for LTAR, and
5. Provision of Cold-Rolled Coiled Steel for LTAR

The petitioner alleges that tool chests producers in the PRC receive hot-rolled steel and cold-rolled steel, the primary inputs used by tool chests producers, from state-owned steel producers at below-market prices.²³¹ The Department has countervailed similar programs in previous investigations.²³²

For the reasons explained in the “Use of Facts Otherwise Available and Adverse Inferences” section above, we are basing our determination regarding the GOC’s provision of hot-rolled coiled steel and cold-rolled steel for LTAR, in part, on AFA, determining that all of the domestic Chinese producers that produced hot-rolled coiled steel and cold-rolled coiled steel purchased by Geelong and Tongrun during the POI are “authorities” within the meaning of section 771(5)(B) of the Act. Therefore, we determine that the GOC’s provisions of hot-rolled coiled steel and cold-rolled coiled steel provide a financial contribution as a provision of a good under section 771(5)(D)(iii) of the Act, and is specific under section 771(5A)(D)(iii)(I) of the Act. With one exception, we find that Tongrun and Geelong both used these programs during the POI.²³³ We

²²⁸ *Id.* at Exhibit B-2.

²²⁹ These credits can be for either expensed or capitalized R&D expenditures. If a credit is for capitalized expenditures however (*e.g.*, the expenditures were made toward developing an “intangible asset” or patent), the 50 percent deduction is amortized across the useful life of the developed asset. Thus, even credits for capitalized expenditures would be allocated over tax returns filed during a number of years and would thus be recurring.

²³⁰ See Tongrun Preliminary Calculation Memorandum.

²³¹ See CVD Initiation Checklist at 21.

²³² See, *e.g.*, *Steel Cylinders from the PRC*, and accompanying Issues and Decision Memorandum at 17.

²³³ See Tongrun IQR at 27 and 28; and Geelong IQR at 10 and 12.

preliminarily determine that Geelong did not purchase hot-rolled coiled steel at LTAR during the POI.²³⁴

As discussed in the “Benchmarks and Interest Rates” section, the Department is selecting benchmark prices for these two inputs, based on 19 CFR 351.511(a)(2). As discussed above, for both hot-rolled coiled steel and cold-rolled coiled steel, we are applying Tier 2 (*i.e.*, world market prices) to measure the benefits under this program.²³⁵ We compared these monthly benchmark prices to the respondents’ reported purchase prices for individual domestic transactions, including VAT and any delivery charges.

Based on this comparison, we preliminarily determine that hot-rolled coiled steel and cold-rolled coiled steel were provided for LTAR and that a benefit exists for each respondent in the amount of the difference between the benchmark prices and the prices each respondent paid. As discussed in the “Subsidies Valuation” section above, and in the Tongrun Preliminary Calculation Memorandum and Geelong Preliminary Calculation Memorandum,²³⁶ we divided the total benefits for each respondent by the appropriate total sales denominator.

On this basis, for the provision of hot-rolled coiled steel for LTAR, we preliminarily determine a net countervailable subsidy rate of 0.02 percent *ad valorem* for Tongrun.²³⁷ For the provision of cold-rolled steel for LTAR, we preliminarily determine a net countervailable subsidy rate of 5.74 percent *ad valorem* for Tongrun and 20.53 percent *ad valorem* for Geelong.²³⁸

6. Provision of Electricity for LTAR

The petitioner alleges that the National Development and Reform Commission NDRC establishes electricity rates for the provinces and that the NDRC employs preferential electricity rates as a policy tool to promote and encourage the development of the PRC’s tool chests industry.²³⁹ The Department has countervailed this program in previous investigations.²⁴⁰ We preliminarily find that Tongrun and Geelong both used this program during the POI because they both purchased electricity from provincial utilities.²⁴¹

For the reasons explained in the “Use of Facts Otherwise Available and Adverse Inferences” section above, we are basing our determination regarding the GOC’s provision of electricity for LTAR, in part, on AFA. Therefore, we determine that the GOC’s provision of electricity confers

²³⁴ Because of the proprietary nature of our analysis, *see* the Geelong Preliminary Calculation Memorandum for further details.

²³⁵ *See* Tongrun Preliminary Calculation Memorandum and Geelong Preliminary Calculation Memorandum.

²³⁶ *Id.*

²³⁷ *See* Tongrun Preliminary Calculation Memorandum.

²³⁸ *See* Tongrun Preliminary Calculation Memorandum and Geelong Preliminary Calculation Memorandum .

²³⁹ *See* CVD Initiation Checklist at 20.

²⁴⁰ *See, e.g., 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), and accompanying Issues and Decision Memorandum at 29.

²⁴¹ *See* Tongrun IQR, at 29; and Geelong IQR; at 13.

a financial contribution as a provision of a good under section 771(5)(D)(iii) of the Act and is specific under section 771(5A)(D) of the Act.

For determining the existence and amount of any benefit under this program, we selected the highest non-seasonal provincial rates in the PRC for each electricity category (*e.g.*, “large industry,” “general industry and commerce”) and “base charge” (either maximum demand or transformer capacity) used by the respondent. Additionally, where applicable, we identified and applied the peak, normal, and valley rates within a category.²⁴²

Consistent with our approach in *Wind Towers*,²⁴³ we first calculated the respondents’ variable electricity costs by multiplying the monthly kilowatt hours (kWh) consumed at each price category (*e.g.*, peak, normal, and valley, where appropriate) by the corresponding electricity rates paid by the respondent during each month of the POI.²⁴⁴ Next, we calculated the benchmark variable electricity costs by multiplying the monthly kWh consumed at each price category by the highest electricity rate charged at each price category. To calculate the benefit for each month, we subtracted the variable electricity costs paid by the respondent during the POI from the monthly benchmark variable electricity costs.

To measure whether Tongrun or Geelong received a benefit with regard to its base rate (*i.e.*, either maximum demand or transformer capacity charge), we first multiplied the monthly base rate charged to the companies by the corresponding consumption quantity. Next, we calculated the benchmark base rate cost by multiplying the company’s consumption quantities by the highest maximum demand or transformer capacity rate. To calculate the benefit, we subtracted the maximum demand or transformer capacity costs paid by the company during the POI from the benchmark base rate costs. We then calculated the total benefit received during the POI under this program by summing the benefits stemming from the respondent’s variable electricity payments and base rate payments.²⁴⁵

To calculate the net countervailable subsidy rate attributable to the respondents, we divided the benefit by total POI sales of respondent producers as described in the “Subsidies Valuation Information” section above. On this basis, we preliminarily determine that Tongrun received a net countervailable subsidy rate of 0.15 percent *ad valorem*, and Geelong received a net countervailable subsidy rate of 0.34 percent *ad valorem*.²⁴⁶

7. Grant Programs

Both Geelong and Tongrun self-reported that they received the grants indicated below either in the POI or during the AUL period²⁴⁷. The GOC acknowledged providing a financial contribution with respect to the respondents’ self-reported subsidies.²⁴⁸ Accordingly, we preliminarily determine that the following grants confer a financial contribution as a direct

²⁴² See Tongrun Preliminary Calculation Memorandum.

²⁴³ See *Wind Towers*, and accompanying Issues and Decision Memorandum.

²⁴⁴ *Id.* at 21-22.

²⁴⁵ See Tongrun Preliminary Calculation Memorandum; and Geelong Preliminary Calculation Memorandum.

²⁴⁶ See Tongrun Preliminary Calculation Memorandum.

²⁴⁷ See Geelong IQR at 17 and Tongrun IQR at 35.

²⁴⁸ See GOC SQR at 18.

transfer of funds under section 771(5)(D)(i) of the Act. For the reasons explained in the “Application of AFA: ‘Other Subsidies’” section above, we are basing our preliminary determination regarding the following grants provided by the GOC to the respondents, in part, on AFA. Therefore, we determine that the following grants confer a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act, and are specific either under section 771(5A)(B) or 771(5A)(D) of the Act (as appropriate, depending on whether the respondent reported the grant as export-related or as a domestic subsidy). We find that the respondents received the following non-recurring grants during the POI or AUL period.²⁴⁹

Geelong

- a. **4th Quarter Growth Comparison**
- b. **1-3rd Quarter Growth Comparison**
- c. **Technology Improvement**
- d. **ERP Improvement**
- e. **Engineering Center**
- f. **Unemployment insurance to support business stability**

Tongrun

- g. **IPO Income Tax Subsidy**
- h. **Province Commercial Development Special Subvention**
- i. **Changshu City Awards for Maintaining A Steady Increase of Foreign Trade**
- j. **Municipal Industrial Economy Transformation and Development Subvention**
‘Machines Inplace of Men’ Promotion of Intelligent Manufacturing Project
- k. **Municipal Commercial Transformation and Development Subvention**
- l. **Province Commercial Development Special Subvention Exploration of**
International Market Fair
- m. **Foreign Commerce and Trade Development Fund**
- n. **High Technology Products**

To calculate the benefit received under these programs, the Department followed the methodology described in 19 CFR 351.524. Grants under the programs listed above were received by Geelong and Tongrun during the POI or during the AUL period. In accordance with 19 CFR 351.524(b)(2), we determine whether to allocate the non-recurring benefit from the grants over the AUL by dividing the approved grant amount by the company’s total sales in the year of approval. If the approved amount is less than 0.5 percent of the company’s total sales, we expensed the amounts received under the grants in the year received. To calculate the *ad valorem* subsidy rate for these grants, the Department divided the benefit conferred under each of these programs during the POI by the appropriate sales denominator, depending on the nature of the subsidy program.²⁵⁰ Based on the methodology outlined above, the Department preliminarily calculates a cumulative *ad valorem* subsidy rate of 0.22 percent for Tongrun and 0.66 percent for Geelong for the programs listed above.²⁵¹

²⁴⁹ See Geelong IQR at Exhibit CVD-32; and Tongrun IQR at Exhibit E.1.

²⁵⁰ *Id.*

²⁵¹ See Geelong Preliminary Calculation Memorandum and Tongrun Preliminary Calculation Memorandum.

B. Programs Preliminarily Determined to Not to Confer a Measurable Benefit to Tongrun or Geelong

1. GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands

The petitioner alleges that the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, which is a ministerial body directly under the State Council, is responsible for organization and implementation of state measures to promote a strategy regarding famous brand names, including providing grants, loans, and other incentives with the objective of promoting Chinese exports pursuant to GOC industrial policy.²⁵² The Department has countervailed this program in previous investigations.²⁵³ Tongrun reported using this program prior to the POI during the AUL.²⁵⁴ Geelong reported that it did not use this program during the POI or AUL.²⁵⁵

As described above, as AFA, we determine that this grant confers a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act, and is specific under section 771(5A)(B) because it is contingent upon export, consistent with our determination in *Aluminum Extrusions 2013 Review*.²⁵⁶

To calculate the benefit received under this program, the Department followed the methodology described in 19 CFR 351.524. Grants under this program were received by Tongrun during the AUL period. To calculate the *ad valorem* subsidy rate for this grant, the Department divided the benefit conferred under this programs by Tongrun's total/export sales in the year it was incurred. On this basis, we determine that Tongrun received a benefit of less than 0.5 percent ad valorem. Therefore, we expensed the grant in the year it was received; accordingly, Tongrun thus received no benefit during the POI under this program.²⁵⁷

2. Small- And Medium-Sized Enterprises (SME) International Market Exploration/Development Fund

The petitioner alleges that the the International Market Fund was established to encourage the development of SMEs through a reduction of operating risks in the international market and that that provincial governments offer similar grants.²⁵⁸ The Department has countervailed this program in previous investigations.²⁵⁹ Tongrun reported using this program prior to the POI

²⁵² See CVD Initiation Checklist at 21.

²⁵³ See, e.g., *Aluminum Extrusions 2013 Review*, and accompanying Issues and Decision Memorandum at 48 (“D. GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands and China World Top Brands (Famous Brands program)”).

²⁵⁴ See Tongrun IQR at 33.

²⁵⁵ See Geelong IQR at 15.

²⁵⁶ See *Aluminum Extrusions 2013 Review*, and accompanying Issues and Decision Memorandum at 48.

²⁵⁷ See Tongrun Preliminary Calculation Memorandum.

²⁵⁸ See CVD Initiation Checklist at 21.

²⁵⁹ See, e.g., *Aluminum Extrusions 2013 Review*, and accompanying Issues and Decision Memorandum at 49.

during the AUL.²⁶⁰ Geelong reported that it did not use this program during the POI or AUL.²⁶¹

As described above, as AFA, we determine that this grant confers a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act, and is specific under section 771(5A)(B) because it is contingent upon export, consistent with our determination in *Aluminum Extrusions 2013 Review*.²⁶²

To calculate the benefit received under this program, the Department followed the methodology described in 19 CFR 351.524. Grants under this program were received by Tongrun during the AUL period. To calculate the *ad valorem* subsidy rate for this grant, the Department divided the benefit conferred under this programs by Tongrun's total/export sales in the year it was incurred. On this basis, we determine that Tongrun received a benefit of less than 0.5 percent ad valorem. Therefore, we expensed the grant in the year it was received; accordingly, Tongrun thus received no benefit during the POI under this program.²⁶³

3. Grant Programs

As discussed in Section X.A.7, above, both Geelong and Tongrun self-reported that they received the grants indicated below either in the POI or during the AUL period²⁶⁴. The GOC acknowledged providing a financial contribution with respect to the respondents' self-reported subsidies.²⁶⁵ Accordingly, we preliminarily determine that the following grants confer a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act. For the reasons explained in the "Application of AFA: 'Other Subsidies'" section above, we are basing our preliminary determination regarding the following grants provided by the GOC to the respondents, in part, on AFA. Therefore, we determine that the following grants are specific either under section 771(5A)(B) or 771(5A)(D) of the Act (as appropriate, depending on whether the respondent reported the grant as export-related or as a domestic subsidy). We find that the respondents received the following non-recurring grants during the POI or AUL period.²⁶⁶

Geelong

- a. **Training Cost Reimbursement from Productivity Council**
- b. **Rent Refund**
- c. **Export Subsidies (VAT loss)**
- d. **Enterprise Salary Survey Subsidy**
- e. **Refund of social insurance**

Tongrun

²⁶⁰ See Tongrun IQR at 34.

²⁶¹ See Geelong IQR at 16.

²⁶² See *Aluminum Extrusions 2013 Review*, and accompanying Issues and Decision Memorandum at 49.

²⁶³ See Tongrun Preliminary Calculation Memorandum.

²⁶⁴ See Geelong IQR at 17 and Tongrun IQR at 35.

²⁶⁵ See GOC SQR at 18.

²⁶⁶ See Geelong IQR, at Exhibit CVD-32; and Tongrun IQR, at Exhibit E.1.

- f. IPO Income Tax Subsidy
- g. 2013 Industrial Economy Transformation and Escalation Technology Innovation Subvention
- h. Traffic Police Team 779 Elimination Subsidy
- i. Minicipal Industrial Economy Transformation and Development Subvention Energy Saving and Circular Economy Project
- j. QFII Equity Distribution Income Tax Withhold and Collected
- k. 2014 Patent

To calculate the benefit received under these programs, the Department followed the methodology described in 19 CFR 351.524. Grants under the programs listed above were received by Geelong and Tongrun during the POI or during the AUL period. In accordance with 19 CFR 351.524(b)(2), we determine whether to allocate the non-recurring benefit from the grants over the AUL by dividing the approved grant amount by the company's total sales in the year of approval. If the approved amount is less than 0.5 percent of the company's total sales, we expensed the amounts received under the grants in the year received. To calculate the *ad valorem* subsidy rate for these grants, the Department divided the benefit conferred under each of these programs by the appropriate sales denominator, depending on the nature of the subsidy program.²⁶⁷ Based on the methodology outlined above, the Department preliminarily determines that Geelong and Tongrun received a benefit of less than 0.005 percent ad valorem, and thus received no measureable benefit, for each of these programs.²⁶⁸

C. Programs Preliminarily Determined to Be Not Used by Tongrun or Geelong

The Department finds that the following programs were not used by Geelong or Tongrun during the POI:

1. Export Loans from Chinese State-Owned Banks
2. Export Seller's Credit
3. Export Credit Guarantees
4. Income Tax Reductions for High- and New-Technology Enterprises
5. Provincial Government of Guangdong Tax Offset for R&D
6. Import Tariff and VAT Reductions for Foreign-Invested Enterprises (FIEs) and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
7. VAT Refunds for FIEs on Purchases of Domestically-Produced Equipment
8. Special Fund for Energy Saving Technology Reform
9. SME Technology Innovation Fund
10. Export Assistance Grants

XI. CALCULATION OF THE ALL-OTHERS RATE

Sections 703(d) and 705(c)(5)(A) of the Act provide that in the preliminary determination, the Department shall determine an estimated all-others rate for companies not individually examined. This rate shall be an amount equal to the weighted average of the estimated subsidy

²⁶⁷ *Id.*

²⁶⁸ *See* Geelong Preliminary Calculation Memorandum and Tongrun Preliminary Calculation Memorandum.

rates established for those companies individually examined, excluding any zero and *de minimis* rates and any rates based entirely under section 776 of the Act.

In this investigation, the Department calculated individual estimated countervailable subsidy rates for Tongrun and Geelong that are not zero, *de minimis*, or based entirely on facts otherwise available. The Department calculated the all-others' rate using a weighted average of the individual estimated subsidy rates calculated for the examined respondents using each company's publicly-ranged values for the merchandise under consideration.²⁶⁹ Thus, we calculated the all-others rate to be 27.13 percent *ad valorem*.

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 in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an APO, 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.

²⁶⁹ See Memorandum, "Countervailing Duty Investigation of Certain Tool Chest and Cabinets from the People's Republic of China: Calculation of All-Others Rate," dated September 8, 2017.

XIII. CONCLUSION

We recommend that you approve the preliminary findings described above.

Agree

Disagree

9/8/2017

X

Gary Taverman

Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

APPENDIX

AFA Rate Calculation

	Program Name	AFA Rate	Source
1.	Policy Loans to the Tool Chests Industry		
2.	Export Loans from Chinese State-Owned Banks	10.54%	Highest Rate for Similar Program Based on Benefit Type
3.	Export Seller's Credit	4.25%	Highest Rate for Same Program Based on Benefit Type
4.	Export Credit Guarantees	4.25%	Highest Rate for Similar Program Based on Benefit Type
5.	Export Buyer's Credits	10.54%	Highest Rate for Similar Program Based on Benefit Type
6.	Income Tax Reduction for High or New Technology Enterprises		
7.	Income Tax Deductions for Research and Development (R&D) Expenses Under the Enterprise Income Tax Law		
8.	Provincial Government of Guangdong Tax Offset for R&D	25.00%	Income Tax Rate
9.	IPO Income Tax Subsidy		
10.	QFII Equity Distribution Income Tax Withhold and Collected		
11.	Import Tariff and Value-Added Tax (VAT) Reductions for Foreign-Invested Enterprises (FIEs) and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries	9.71%	Highest Rate for Same Program Based on Benefit Type
12.	VAT Refunds for FIEs Purchasing Domestically-Produced Equipment	9.71%	Highest Rate for Similar Program Based on Benefit Type
13.	Government Provision of Hot-Rolled Coiled Steel for LTAR	0.02%	Calculated –Tongrun
14.	Government Provision of Cold-Rolled Coiled Steel for LTAR	20.53%	Calculated - Geelong
15.	Provision of Electricity for LTAR	0.34%	Calculated - Geelong
16.	GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands	0.58%	Highest Rate for Similar Program Based on Benefit Type

17.	Special Fund for Energy Savings Technology Reform	0.58%	Highest Rate for Similar Program Based on Benefit Type
18.	Small and Medium-Sized Enterprises (SMEs) International Market Exploration/Development Fund	0.58%	Highest Rate for Similar Program Based on Benefit Type
19.	SME Technology Innovation Fund	0.58%	Highest Rate for Similar Program Based on Benefit Type
20.	Export Assistance Grants	0.58%	Highest Rate for Similar Program Based on Benefit Type
21.	4th Quarter Growth Comparison	0.05%	Calculated - Geelong
22.	1-3rd Quarter Growth Comparison	0.04%	Calculated - Geelong
23.	Technology Improvement	0.53%	Calculated - Geelong
24.	ERP Improvement	0.01%	Calculated - Geelong
25.	Engineering Center	0.01%	Calculated - Geelong
26.	Unemployment insurance to support business stability	0.02%	Calculated - Geelong
27.	Province Commercial Development Special Subvention	0.02%	Calculated - Tongrun
28.	Changshu City Awards for Maintaining A Steady Increase of Foreign Trade	0.01%	Calculated - Tongrun
29.	Municipal Industrial Economy Transformation and Development Subvention 'Machines Inplace of Men' Promotion of Intelligent Manufacturing Project	0.06%	Calculated - Tongrun
30.	Municipal Commercial Transformation and Development Subvention	0.03%	Calculated - Tongrun
31.	Province Commercial Development Special Subvention Exploration of International Market Fair	0.01%	Calculated - Tongrun
32.	Foreign Commerce and Trade Development Fund	0.03%	Calculated - Tongrun
33.	High Technology Products	0.04%	Calculated - Tongrun
34.	Training Cost Reimbursement from Productivity Council	0.58%	Highest Rate for Similar Program Based on Benefit Type
35.	Rent Refund	0.58%	Highest Rate for Similar Program Based on Benefit Type
36.	Export Subsidies (VAT loss)	9.71%	Highest Rate for Similar Program Based on Benefit Type
37.	Enterprise Salary Survey Subsidy	0.58%	Highest Rate for Similar Program Based on Benefit Type

38.	Refund of social insurance	0.58%	Highest Rate for Similar Program Based on Benefit Type
39.	2013 Industrial Economy Transformation and Escalation Technology Innovation Subvention	0.58%	Highest Rate for Similar Program Based on Benefit Type
40.	Traffic Police Team 779 Elimination Subsidy	0.58%	Highest Rate for Similar Program Based on Benefit Type
41.	Municipal Industrial Economy Transformation and Development Subvention Energy Saving and Circular Economy Project	0.58%	Highest Rate for Similar Program Based on Benefit Type
42.	2014 Patent	0.58%	Highest Rate for Similar Program Based on Benefit Type

Total AFA Rate:

112.99%