



C-570-921
Sunset Review
Public Document
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March 16, 2020

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order on Lightweight Thermal Paper from the People's Republic of China

I. SUMMARY

We received a substantive response from Appvion Operations, Inc. (Appvion) and Kanzaki Specialty Papers Inc. (Kanzaki), the domestic interested parties, in the second sunset review of the countervailing duty (CVD) order on lightweight thermal paper from the People's Republic of China (the PRC).¹ We did not receive a substantive response from the Government of China (GOC) or from exporters of the subject merchandise from China. As a result, pursuant to section 751(c)(3)(B) of Tariff Act of 1930, as amended (the Act), and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department of Commerce (Commerce) is conducting an expedited sunset review of the *CVD Order* covering thermal paper from the PRC.² We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum.

II. HISTORY OF THE ORDER

On October 2, 2008, Commerce published its final determination in the CVD investigation of lightweight thermal paper from the PRC.³ On November 24, 2008, Commerce published its amended final determination and the *CVD Order*.⁴ Commerce determined that benefits that constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), were provided by the GOC to PRC manufacturers, producers, and exporters of this

¹ See Appvion's and Kanzaki's Letter, "Five-Year ("Sunset") Review of Countervailing Duty Order on Lightweight Thermal Paper from the People's Republic of China: Domestic Industry Substantive Response," dated December 23, 2019 (Substantive Response).

² See *Lightweight Thermal Paper from the People's Republic of China: Notice of Amended Final Affirmative Countervailing Duty Determination and Notice of Countervailing Duty Order*, 73 FR 70958 (November 24, 2008) (*CVD Order*).

³ See *Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Investigation Final*).

⁴ See *CVD Order*.

merchandise. In the investigation, the following 15 programs were found to confer countervailable subsidies to the cooperating mandatory respondent companies:

1. Government Policy Lending;
2. Shareholder Loans;
3. Income Tax Reduction for High-Tech Industries in Guangdong Province;
4. Reduced Income Tax Rates for Foreign-Invested Enterprises (FIEs) Based on Location;
5. Income Tax Exemptions/ Reductions Under the “Two Free/Three Half” Program;
6. Local Income Tax Exemption and Reduction Program for “Productive” FIEs;
7. Reduced Income Tax Rates and Exemption from Local Tax Based on Location in Pudong New Area;
8. Value-Added Tax (VAT) and Tariff Exemptions on Imported Equipment;
9. Stamp Tax Exemption Under the Non-tradable Share Reform Program (NTSR Program);
10. Funds for Outward Expansion of Industries in Guangdong Province;
11. Zhanjiang Municipality and Zhanjiang Economic and Technological Development Zone (ZETDZ) Export Related Assistance;
12. Environmental Subsidy to Zhanjiang Guanlong Paper Industrial Co., Ltd.;
13. Exemption from Land-Use Taxes and Fees;
14. Provision of Electricity for Less Than Adequate Remuneration (LTAR) in the ZETDZ;
15. Provision of Land to Guangdong Guanhao High-Tech Co., Ltd. in the ZETDZ for LTAR.

In the *Investigation Final*, Commerce also determined that 22 programs, listed in the “Nature of the Subsidies” section below, were not used or did not provide a measurable benefit during the period of investigation (POI) to the cooperating mandatory respondent companies, but found them countervailable on the basis of adverse facts available with respect to the non-cooperating mandatory respondents. We also determined that two programs were not countervailable, and that parts of two programs – the income tax exemption of the “Stamp Tax Exemption Under the NTSR Program” and the non-payment of land-use taxes and fees of the “Exemption from Land-Use Taxes and Fees” program required further information.⁵

Commerce found the following net subsidies in the original investigation:⁶

Manufacturers/Producers/Exporters⁷	Net Subsidy Rate (Percent)
Guangdong Guanhao High-Tech Co., Ltd.	13.63
Shenzhen Yuanming Industrial Development Co., Ltd.	138.53
MDCN Technology Co., Ltd.	124.93
Xiamen Anne Paper Co., Ltd.	124.93
All Others	13.63

Following notification of an affirmative injury determination by the U.S. International Trade Commission (ITC), Commerce published the *CVD Order* on November 24, 2008.⁸ Since the

⁵ See *Investigation Final*, and accompanying Issues and Decision and Memorandum at 19 and 22.

⁶ We note that these rates are from the amended final, published concurrently with the *CVD Order*. See *CVD Order*.

⁷ Shanghai Hanhong Paper Co., Ltd. had a *de minimis* margin in the investigation and was therefore excluded from the *CVD Order*. See *CVD Order*, 73 FR at 70959.

⁸ See *CVD Order*.

issuance of the order, Commerce has issued one scope ruling regarding lightweight thermal paper, in which Commerce stated that lightweight thermal paper converted into smaller thermal paper rolls in the PRC, from jumbo lightweight thermal paper rolls produced in certain third countries, is not within the scope of the *CVD Order* and the companion antidumping duty order.⁹ Commerce has not completed any administrative reviews of the *CVD Order* because either none was requested or the reviews were rescinded after the requests were timely withdrawn.¹⁰ Commerce has not issued any anti-circumvention or changed circumstance determinations. During the sunset review period, Commerce also implemented its final determination in a proceeding conducted pursuant to section 129 of the Uruguay Round Agreements Act, in connection with the *Investigation Final*. In the section 129 determination, Commerce maintained the same countervailable subsidy rates for the companies listed above.¹¹ There is currently one ongoing administrative review of the *Order*.¹²

Moreover, since the publication of the *CVD Order*, Commerce has completed one sunset review of the *CVD Order*.¹³ In the completed sunset review, Commerce determined that the revocation of the *Order* would likely lead to a continuation or recurrence of a countervailable subsidy. Commerce published a notice of the continuation of the CVD order on thermal paper from the PRC following the completion of the one sunset review.¹⁴

III. BACKGROUND

Pursuant to section 751(c) of the Act, on December 2, 2019, Commerce published the notice of initiation of the second sunset review of the *CVD Order*.¹⁵ Subsequently, on December 13, 2019, within the deadline specified in 19 CFR 351.218(d)(1)(i), the domestic interested parties submitted a notice of intent to participate to Commerce.¹⁶ In accordance with 19 CFR 351.218(d)(1)(ii)(A), Appvion and Kanzaki claimed status as interested parties under section

⁹ See *Notice of Scope Rulings*, 77 FR 50084 (August 20, 2012).

¹⁰ See *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review*, 75 FR 9397 (March 2, 2010); see also *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review*, 77 FR 27437 (May 10, 2012); *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review; 2011*, 78 FR 23222 (April 18, 2013); *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review; 2012*, 79 FR 27283 (May 13, 2014); *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review; 2014*, 81 FR 50683 (August 2, 2016); and *Lightweight Thermal Paper from the People's Republic of China: Rescission of Countervailing Duty Administrative Review; 2015*, 82 FR 14349 (March 20, 2017).

¹¹ See *Implementation of Determinations Pursuant to Section 129 of the Uruguay Round Agreements Act*, 81 FR 37180, 37181 (June 9, 2016) (*Section 129 Determination*).

¹² See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 85 FR 6896 (February 6, 2020).

¹³ See *Lightweight Thermal Paper from the People's Republic of China: Final Results of the Expedited First Sunset Review of the Countervailing Duty Order*, 79 FR 10477 (February 25, 2014).

¹⁴ See *Lightweight Thermal Paper from the People's Republic of China and Germany: Continuation of the Antidumping and Countervailing Duty Orders on the People's Republic of China, Revocation of the Antidumping Duty Order on Germany*, 80 FR 5083 (January 30, 2015).

¹⁵ See *Initiation of Five-Year ("Sunset") Review*, 84 FR 65968 (December 2, 2019).

¹⁶ See Appvion's and Kanzaki's Letter, "Five-Year ("Sunset") Review of Countervailing Duty Order on Lightweight Thermal Paper from the People's Republic of China: Domestic Industry's Notice of Intent to Participate," dated December 13, 2019 (Domestic Parties' Notice of Intent to Participate).

771(9)(C) of the Act as producers of the domestic like product.¹⁷ On December 23, 2019, Appvion and Kanzaki filed a collective substantive response in the sunset review within the 30-day deadline, as specified in 19 CFR 351.218(d)(3)(i).¹⁸ We did not receive any substantive responses from respondent interested parties or the GOC.

According to Commerce's regulations at 19 CFR 351.218(e)(1)(ii)(B)-(C), when there are inadequate responses from respondent interested parties, Commerce normally will conduct an expedited sunset review and, no later than 120 days after the date of publication in the *Federal Register* of the notice of initiation, issue final results of review based on the facts available, in accordance with 19 CFR 351.308(f).¹⁹ Therefore, we are conducting an expedited (120-day) sunset review of the *CVD Order*.

IV. SCOPE OF THE ORDER

The merchandise covered by this order includes certain lightweight thermal paper, which is thermal paper with a basis weight of 70 grams per square meter (g/m^2) (with a tolerance of $\pm 4.0 \text{ g/m}^2$) or less; irrespective of dimensions;²⁰ with or without a base coat²¹ on one or both sides; with thermal active coating(s)²² on one or both sides that is a mixture of the dye and the developer that react and form an image when heat is applied; with or without a top coat;²³ and without an adhesive backing. Certain lightweight thermal paper is typically (but not exclusively) used in point-of-sale applications such as ATM receipts, credit card receipts, gas pump receipts, and retail store receipts.

The merchandise subject to this order may be classified in the Harmonized Tariff Schedule of the United States (HTSUS) under subheadings 4811.90.9035, 4811.90.9080, 4811.59.2000, 4820.10.20, 4823.40.0000, 3703.10.60, 4811.90.8030, 4811.90.8040, 4811.90.8050, 4811.90.9030, 4811.90.9050, and 4811.90.9090.^{24, 25}

¹⁷ See Domestic Parties' Notice of Intent to Participate at 2.

¹⁸ See Domestic Parties' Substantive Response.

¹⁹ See section 751(c)(3)(B) of the Act and 19 CFR 351.221(c)(5)(ii).

²⁰ Lightweight thermal paper is typically produced in jumbo rolls that are slit to the specifications of the converting equipment and then converted into finished slit rolls. Both jumbo and converted rolls (as well as LWTP in any other form, presentation, or dimension) are covered by the scope of this order.

²¹ A base coat, when applied, is typically made of clay and/or latex and like materials and is intended to cover the rough surface of the paper substrate and to provide insulating value.

²² A thermal active coating is typically made of sensitizer, dye, and co-reactant.

²³ A top coat, when applied, is typically made of polyvinyl acetone, polyvinyl alcohol, and/or like materials and is intended to provide environmental protection, an improved surface for press printing, and/or wear protection for the thermal print head.

²⁴ HTSUS subheading 4811.90.8000 was a classification used for lightweight thermal paper until January 1, 2007. Effective that date, subheading 4811.90.8000 was replaced with 4811.90.8020 (for gift wrap, a non-subject product) and 4811.90.8040 (for "other" including lightweight thermal paper). HTSUS subheading 4811.90.9000 was a classification for lightweight thermal paper until July 1, 2005. Effective that date, subheading 4811.90.9000 was replaced with 4811.90.9010 (for tissue paper, a non-subject product) and 4811.90.9090 (for "other," including lightweight thermal paper).

²⁵ As of January 1, 2009, the International Trade Commission deleted HTSUS subheadings 4811.90.8040 and 4811.90.9090 and added HTSUS subheadings 4811.90.8030, 4811.90.8050, 4811.90.9030, and 4811.90.9050 to the Harmonized Tariff Schedule of the United States (2009). See Harmonized Tariff Schedule of the United States (2009), available at <ww.usitc.gov>. These HTSUS subheadings were added to the scope of the order in

Although HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

V. DISCUSSION OF THE ISSUES

Legal Framework

In accordance with section 751(c)(1) of the Act, Commerce is conducting this review to determine whether revocation of the *Order* would be likely lead to continuation or recurrence of a countervailable subsidy. Section 752(b)(1) of the Act provides that, in making this determination, Commerce shall consider (1) the net countervailable subsidy determined in the investigation and subsequent reviews and (2) whether any changes in the programs which gave rise to the net countervailable subsidy have occurred that are likely to affect the net countervailable subsidy.

Pursuant to section 752(b)(3) of the Act, Commerce shall provide to the ITC the net countervailable subsidy likely to prevail if the *Order* were revoked. In addition, consistent with section 752(a)(6) of the Act, Commerce shall provide to the ITC information concerning the nature of the subsidy and whether it is a subsidy described in Article 3 or Article 6.1 of the 1994 World Trade Organization Agreement on Subsidies and Countervailing Measures (SCM Agreement).

Below we address the comments of the interested parties.

A. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

Interested Party Comments

The domestic interested parties contend that Commerce should determine that subsidy programs found to countervailable in the original investigation have continued and would be likely to continue or recur if the *CVD Order* were revoked because no administrative reviews have occurred subsequent to the 2008 final determination.²⁶ Because respondents have not participated in any administrative review, it is assumed that the countervailable programs found in the investigation have not been terminated and continue to exist.

As a result, the domestic interested parties conclude that revocation of the *CVD Order* is likely to lead to a continuation or recurrence of countervailable subsidization.

Commerce's Position

Section 752(b)(1) of the Act directs Commerce in determining the likelihood of continuation or recurrence of a countervailable subsidy to consider the net countervailable subsidy determined in the investigation and subsequent reviews and whether there has been any change in a program

lightweight thermal paper's LTFV investigation.

²⁶ See Substantive Response at 7-8.

found to be countervailable that is likely to affect that net countervailable subsidy. The Statement of Administrative Action (SAA) further advises that the continuation of a program is “highly probative of the likelihood of continuation or recurrence of countervailable subsidies.”²⁷ The continued existence of programs that have not been used, and have not been terminated without residual benefits or replaced, is also probative of the likelihood of continuation or recurrence of a countervailable subsidy.²⁸ Where a subsidy program is found to exist, Commerce normally will determine that revocation of the CVD order is likely to lead to continuation or recurrence of a countervailable subsidy regardless of the level of subsidization.²⁹

Consistent with prior determinations, two conditions must be met in order for a subsidy program not to be included in determining the likelihood of continued or recurring subsidization: (1) the program must be terminated; and (2) any benefit stream must be fully allocated.³⁰ To determine whether a program has been terminated, we will consider the legal method by which the government eliminated the program and whether the government is likely to reinstate the program.³¹ Commerce normally expects a program to be terminated by means of the same legal mechanism used to institute it.³² Where a subsidy is not bestowed pursuant to a statute, regulation or decree, Commerce may find no likelihood of continued or recurring subsidization if the subsidy in question was a one-time, company-specific occurrence and was not granted as part of a broader, government program.³³

As explained above, Commerce has not completed any administrative reviews of the *CVD Order*, and the GOC has not provided further information concerning any program during any prior sunset review of the *CVD Order*. Consequently, there is no record information indicating any changes in the programs determined to be countervailable subsidies and to confer benefits in the *Investigation Final*. Therefore, consistent with our practice, Commerce finds that all of the countervailable programs referenced in Section II above continue to exist and be used by PRC producers and exporters of thermal paper.³⁴ Consequently, given the continued existence of

²⁷ See Statement of Administrative Action Accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, vol I (1994) at 888.

²⁸ See, e.g., *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Final Results of Full Sunset Review of Countervailing Duty Order*, 75 FR 75455 (December 3, 2010), and accompanying IDM at Comment 1.

²⁹ *Id.*

³⁰ See, e.g., *Non-Oriented Electrical Steel From the People’s Republic of China: Final Results of the Expedited First Sunset Review of the Countervailing Duty Order*, 85 FR 11339 (February 27, 2020), and accompanying IDM at 6; see also *Certain Pasta from Italy: Final Results of the Expedited Fourth Sunset Review of the Countervailing Duty Order*, 83 FR 62839 (December 6, 2019), and accompanying IDM at 11; *Preliminary Results of Full Sunset Review: Certain Corrosion-Resistant Carbon Steel Flat Products from France*, 71 FR 30875 (May 31, 2006), and accompanying Preliminary Decision Memorandum at 5-7, unchanged in *Corrosion-Resistant Carbon Steel Flat Products from France: Final Results of Full Sunset Review*, 71 FR 58584 (October 4, 2006).

³¹ See, e.g., *Fresh and Chilled Atlantic Salmon from Norway: Final Results of Full Third Sunset Review of Countervailing Duty Order*, 76 FR 70411 (November 14, 2011), and accompanying IDM at Comment 1.

³² See, e.g., *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products from India*, 66 FR 49635 (September 28, 2001), and accompanying IDM at Comment 7.

³³ See, e.g., *Stainless Steel Plate in Coils from Belgium: Final Results of Full Sunset Review and Revocation of the Countervailing Duty Order*, 76 FR 25666 (May 5, 2011), and accompanying IDM at Comment 1.

³⁴ See, e.g., *Sulfanilic Acid from India: Final Results of Expedited Sunset Review of Countervailing Duty Order*, 76 FR 33243 (June 8, 2011); see also *Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-year (Sunset) Review of the Countervailing Duty Order*, 75 FR 13257 (March 19, 2010).

programs found to provide countervailable benefits, Commerce finds that a countervailable subsidy would be likely to continue or recur if the *CVD Order* were revoked.³⁵

B. Net Countervailable Subsidy Likely to Prevail

Interested Party Comments

In determining the net countervailable subsidy likely to prevail in the event of revocation, the domestic interested parties contend that Commerce should use the subsidy rates found in the investigation, “because that is the only calculated rate that reflects the behavior of exporters ... without the discipline of an order or suspension agreement in place.”³⁶ Furthermore, the Petitioners claim that the *Sunset Policy Bulletin* supports this contention, as it states that when:

a company-specific countervailing duty rate was determined for a particular company in the original investigation, Commerce normally will provide that rate to the {ITC} as the net countervailable subsidy that is likely to prevail for that company if the order is revoked or the suspended investigation is terminated. Specifically, Commerce normally will provide the company-specific countervailing duty rate from the investigation for each company, where available, regardless of whether the rate was calculated using a company's own information or was based on best information available or facts available.³⁷

Accordingly, the domestic interested parties argue that because there have been no administrative reviews, the subsidy rates determined in the investigation represent the best evidence of PRC exporters’ behavior in the absence of the *CVD Order*.

Commerce’s Position

As the domestic interested parties noted, consistent with the SAA and legislative history, Commerce normally will provide to the ITC the net countervailable subsidy that was determined in the investigation as the subsidy rate likely to prevail if the order is revoked, because it is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place.³⁸ Section 752(b)(1)(B) of the Act provides, however, that Commerce will consider whether any change in the program which gave rise to the net countervailable subsidy determination in the investigation or subsequent reviews has occurred that is likely to affect the net countervailable subsidy. Therefore, although the SAA and House Report provide that Commerce normally will select a rate from the investigation, this rate may not be the most appropriate if, for example, the rate was derived (in whole or part) from subsidy programs which were found in subsequent reviews to be terminated, there has been a program-

³⁵ See *Policies Regarding the Conduct of Five-year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders; Policy Bulletin*, 63 FR 18871, 18874-75 (April 16, 1998) (*Sunset Policy Bulletin*); see also *Investigation Final; Section 129 Determination*, 81 FR at 37181-82.

³⁶ See Substantive Response at 8, citing the SAA at 890.

³⁷ *Id.*, citing the *Sunset Policy Bulletin*, 63 FR 18875-18876.

³⁸ See SAA at 890 and the House Report, H.R. Rep. No. 103-826 (1994) (House Report) at 64.

wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review.³⁹

In determining company-specific, net countervailable subsidy rates likely to prevail, Commerce first considers the rates found in the original investigation. Since Commerce has not completed any administrative reviews of the *CVD Order*, there is no record evidence that any of the subsidy programs found in the original investigation has been terminated or that there has been a change in any of the programs. Therefore, Commerce does not need to adjust the rates from the investigation to account for additional subsidies, program-wide changes, or terminated programs.

As a result, Commerce is providing to the ITC the rates found in the original investigation. Moreover, the countervailable subsidy rates determined in the *Investigation Final* were unchanged in the *Section 129 Determination*.⁴⁰ Consistent with section 752(b)(3) of the Act, Commerce will provide to the ITC the net countervailable subsidy rates shown in the section entitled “Final Results of Review.”

C. Nature of the Subsidies

Consistent with section 752(a)(6) of the Act, Commerce is providing the following information to the ITC concerning the nature of the subsidies, and whether any of the subsidies are as described in Article 3 or Article 6.1 of the SCM Agreement. We note that Article 6.1 of the SCM Agreement expired on January 1, 2000.

Article 3

In this sunset review, there are two programs that fall under Article 3.1 of the SCM Agreement, which states that the following subsidies shall be prohibited: (a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, and (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods.

1. Zhanjiang Municipality and Zhanjiang Economic and Technological Development Zone (ZETDZ) Export-Related Assistance

Respondent companies received export assistance in the form of grants from the municipal government and ZETDZ.

2. Funds for Outward Expansion of Industries in Guangdong Province

Respondent companies received export contingent grants from the local Department of Foreign Trade and Economic Cooperation.

³⁹ See *Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Final Results of Expedited Second Sunset Review*, 75 FR 62101 (October 7, 2010), and accompanying Issues and Decision Memorandum at 4.

⁴⁰ See *Section 129 Determination*, 81 FR at 37181-82 (“The net subsidy rates for the remaining CVD proceedings in DS437 are unchanged”).

Article 6.1

The following programs do not fall within the meaning of Article 3.1 of the SCM Agreement, but could be a subsidy as described in Article 6.1 of the SCM Agreement if the amount of the subsidy exceeds five percent, as measured in accordance with Annex IV of the SCM Agreement. The subsidy could also fall within the meaning of Article 6.1 if it constitutes debt forgiveness, a grant to cover debt repayment, or is a subsidy to cover operating losses sustained by an industry or enterprise. However, there is insufficient information on the record of this review in order for Commerce to make such a determination. We are providing the ITC with the following program descriptions:

1. Shareholder Loans

A respondent benefitted from loan forgiveness granted by wholly state-owned financial institutions prior to and during the POI. Because these institutions were shareholders in the company, the debt forgiveness was found to be specific to the company.

2. Government Policy Lending Program

The GOC, through Policy Banks and State-Owned Commercial Banks, provided preferential loans to respondents, which were found to be specific to the forestry and paper industry.

3. Income Tax Reduction for High-Tech Industries in Guangdong Province

Companies placed on Guangdong Province's list of high-tech industries pay a reduced national income tax rate. The incentive was found specific to certain high-tech enterprises.

4. Reduced Income Tax Rates for Foreign-Invested Enterprises (FIEs) Based on Location

FIEs located in designated coastal economic zones, special economic zones, and economic and technical development zones in the PRC pay reduced corporate income tax rates. The incentive was found to be geographically specific.

5. Income Tax Exemptions/ Reductions Under the "Two Free/Three Half" Program

"Productive FIEs" pay no income tax in the first two years of profitability and pay reduced income taxes for the next three years. These incentives were found to be specific to "productive FIEs."

6. Local Income Tax Exemption and Reduction Program for "Productive" FIEs

Provincial governments provide an exemption or reduction in local income taxes specifically to "productive" FIEs.

7. Reduced Income Tax Rates and Exemption from Local Tax Based on Location in Pudong New Area

Shanghai tax authorities allow enterprises located in the Shanghai Pudong New Area to pay reduced national and local income taxes. The incentives were found to be geographically specific.

8. VAT and Tariff Exemptions on Imported Equipment

FIEs and certain domestic enterprises are exempted from paying VAT and import tariffs on eligible imported equipment used in production. These incentives were found to be specific to a limited number of enterprises.

9. Stamp Tax Exemption Under the Non-Tradable Share Reform (NTSR) Program

Respondent did not pay a Stamp Tax to PRC tax authorities when it transferred non-tradable shares to tradable share shareholders. Benefits were found to be specific to companies that participated in the NTSR program.

10. Environmental Subsidy to Zhanjiang Guanlong Paper Industrial Co., Ltd.

The Zhangjiang Finance Bureau provided financial assistance to a respondent for its environmental protection project. Actual recipients of the assistance were found to be limited in number.

11. Exemption from Land-Use Taxes and Fees

A respondent was exempted from certain land-use taxes and fees under a program found to be limited by law to certain enterprises.

12. Provision of Electricity for LTAR in the ZETDZ

The GOC provided electricity for LTAR to respondents, which was found to be geographically specific.

13. Provision of Land to Guangdong Guanhao High-Tech Co., Ltd. in the ZETDZ for LTAR

A respondent obtained “granted” land-use rights in the ZETDZ, which was found to be geographically specific.

Commerce determined the following programs to be not used by mandatory respondents Guangdong Guanhao High-Tech Co., Ltd. (or its cross-owned affiliate) or Shanghai Hanhong Paper Co., Ltd., but found the programs to be countervailable on the basis of adverse facts available for non-cooperating companies.

1. Loans Provided Pursuant to the Northeast Revitalization Program;
2. Loan Guarantees from Government-Owned and Controlled Banks;
3. Income Tax Exemption Program for Export-Oriented FIEs;
4. Corporate Income Tax Refund Program for Reinvestment of FIE Profits in Export-Oriented Enterprises;
5. Reduced Income Tax Rate for Technology and Knowledge Intensive FIEs;
6. Reduced Income Tax Rate for High or New Technology FIEs;
7. Preferential Tax Policies for Research and Development (R&D) at FIEs;
8. Income Tax Credits on Purchases of Domestically Produced Equipment by Domestically Owned Companies;
9. State Key Technology Renovation Program Fund;
10. Export Interest Subsidy Funds for Enterprises Located in Shenzhen City and Zhejiang Province;
11. Loans and Interest Subsidies Pursuant to Liaoning Province's Five-Year Framework;
12. Currency Retention Program;
13. Special Fund for Technology Innovation Projects in Guangdong Province;
14. Zhanjiang Municipality Grants for Patents;
15. Zhanjiang Municipality Grants to "Famous Brand/Famous Trademark" Enterprises;
16. Government Interest Discounts;
17. "Enterprise Innovation Funds" Grants;
18. Grants from the ZETDZ for High and New Technology Enterprises;
19. Funding for Construction of Enterprise Technology R&D Centers from the Guangdong Government;
20. Grants Under the Three Science and Technology Expenditure Fund;
21. Research Assistance from the Local Government to GG; and
22. Provision of Certain Papermaking Chemicals (DPE, BPS, and ODB2) for LTAR.

VI. FINAL RESULTS OF REVIEW

Based on the analysis above, Commerce finds that revocation of the *CVD Order* would be likely to lead to continuation or recurrence of countervailable subsidies at the rates listed below:

Manufacturers/Producers/Exporters	Net Subsidy Rate (Percent)
Guangdong Guanbao High-Tech Co., Ltd.	13.63
Shenzhen Yuanming Industrial Development Co., Ltd.	138.53
MDCN Technology Co., Ltd.	124.93
Xiamen Anne Paper Co., Ltd.	124.93
All Others	13.63

VII. RECOMMENDATION

Based on our analysis of the substantive response received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of review in the *Federal Register* and notify the ITC of our findings.

Agree

Disagree

3/16/2020

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance