



C-570-063  
Administrative Review  
POR: 12/19/2017-12/31/2018  
**Public Document**  
E&C/OVIII: DM

October 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:** Decision Memorandum for the Preliminary Results in the  
Countervailing Duty Administrative Review of Cast Iron Soil Pipe  
Fittings from the People's Republic of China; 2017-2018

---

## I. SUMMARY

The Department of Commerce (Commerce) preliminarily determines that countervailable subsidies are being provided to producers and exporters of cast iron soil pipe fittings (soil pipe fittings) from the People's Republic of China (China), as provided in section 703 of the Tariff Act of 1930, as amended (Act).

## II. BACKGROUND

### A. Case History

On August 31, 2018, Commerce published the countervailing duty (CVD) order on soil pipe fittings from China.<sup>1</sup> On August 2, 2019, we published a notice of "Opportunity to Request Administrative Review" of the *Order*.<sup>2</sup> We received timely requests for an administrative review from the petitioner<sup>3</sup> and Wor-Biz Industrial Product Co., Ltd. (Anhui) (Wor-Biz).<sup>4</sup> In

---

<sup>1</sup> See *Cast Iron Soil Pipe Fittings from the People's Republic of China: Countervailing Duty Order*, 83 FR 44566 (August 31, 2018) (*Order*).

<sup>2</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 84 FR 37834 (August 2, 2019).

<sup>3</sup> See Cast Iron Soil Pipe Institute's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Request for Administrative Review," dated August 30, 2019. The petitioner in this review is the Cast Iron Soil Pipe Institute (CISPI), which is an association whose members manufacture cast iron soil pipe fittings.

<sup>4</sup> See Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Request for Administrative Review," dated August 30, 2019. Additionally, on January 8, 2020, Commerce published its final determination in a changed circumstances review, finding that Wor-Biz Industrial Product Co., Ltd. (Anhui) is the



accordance with 19 CFR 351.221(c)(1)(i), we published a notice initiating the review on October 7, 2019.<sup>5</sup>

On October 9, 2019, we released and requested comments on data obtained from U.S. Customs and Border Protection (CBP) regarding entries of the subject merchandise from China during the period of review (POR) for all of the exporters and/or producers for which a review was requested.<sup>6</sup> We received no comments from interested parties. On November 5, 2019, we selected Qinshui Shunshida Casting Co., Ltd. (Qinshui Shunshida) and Wor-Biz as mandatory respondents in this administrative review. On November 6, 2019, we issued Commerce's CVD Questionnaire to the Government of China (GOC) for itself, and mandatory respondents Qinshui Shunshida and Wor-Biz.<sup>7</sup> However, Qinshui Shunshida was unresponsive to Commerce's initial questionnaire. Therefore, as discussed below, we are preliminarily assigning a net subsidy rate based on adverse facts available (AFA) to Qinshui Shunshida in this administrative review.

We issued supplemental questionnaires to the GOC and Wor-Biz on January 14, 2020, and March 2, 2020.<sup>8</sup> Wor-Biz submitted affiliation responses, initial responses, and supplemental responses between December 2, 2019, and March 11, 2020, on behalf of itself and, where appropriate, one of its unaffiliated suppliers, Guangzhou Premier & Pinan Foundry Co., Ltd. (Guangzhou Premier).<sup>9</sup> The GOC submitted its initial response on December 13, 2019.<sup>10</sup> However, as discussed below in the AFA section, the GOC failed to submit its response to Commerce's supplemental questionnaire. In addition, as noted below in the AFA section, Wor-Biz's unaffiliated supplier, Wuhu Best Machines Co., Ltd (Wuhu Best), failed to respond to Commerce's initial questionnaire.<sup>11</sup> On June 16, 2020, the petitioner submitted benchmark

---

successor in interest to Wor-Biz Trading Co., Ltd. (Anhui). *See Cast Iron Soil Pipe Fittings from the People's Republic of China: Final Results of Changed Circumstances Reviews*, 85 FR 881 (January 8, 2020).

<sup>5</sup> *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 53411 (October 7, 2019).

<sup>6</sup> *See* Memorandum, "Administrative Review of the Countervailing Duty Order of Cast Iron Soil Pipe Fittings from the People's Republic of China: Customs and Border Protection Data for Respondent Selection," dated October 9, 2019.

<sup>7</sup> *See* Commerce's Letter, "Administrative Review of Soil Pipe Fittings from PRC: Countervailing Duty Questionnaire," dated November 6, 2019 (Commerce CVD Questionnaire).

<sup>8</sup> *See* Commerce's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: First Countervailing Duty Administrative Review," dated January 14, 2020 (GOC SQ); Commerce's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Countervailing Duty Administrative Review," dated January 14, 2020; and Commerce's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Countervailing Duty Administrative Review," dated March 2, 2020.

<sup>9</sup> *See* Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of Affiliation Response," dated December 2, 2019 (Wor-Biz AQR); Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of Section III Response," dated December 23, 2019 (Wor-Biz IQR); Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of Section III Response," dated December 31, 2019 (Guangzhou Premier IQR); Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of First Supplemental Section III Response," dated February 12, 2020 (Wor-Biz SQR); and Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of Second Supplemental Section III Response," dated March 11, 2020.

<sup>10</sup> *See* GOC's Letter, "GOC Initial CVD Questionnaire Response: First Administrative Review of the Countervailing Duty Investigation on Cast Iron Soil Pipe Fittings from People's Republic of China (C-570-063)," dated December 13, 2019 (GOC IQR).

<sup>11</sup> *See* Commerce CVD Questionnaire.

information.<sup>12</sup>

On April 24, 2020, Commerce tolled all deadlines in administrative reviews by 50 days.<sup>13</sup> On July 21, 2020, Commerce tolled all deadlines in administrative reviews by an additional 60 days.<sup>14</sup> The deadline for the final results of this review is now February 16, 2021.

## **B. Period of Review**

The POR is December 19, 2017 through December 31, 2018.

## **III. NON-SELECTED COMPANIES UNDER REVIEW**

The statute and Commerce's regulations do not directly address the establishment of rates to be applied to companies not selected for individual examination where Commerce limited its examination in an administrative review pursuant to section 777A(e)(2) of the Act. However, Commerce normally determines the rates for non-selected companies in reviews in a manner that is consistent with section 705(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation. We also note that section 777A(e)(2) of the Act provides that "the individual countervailable subsidy rates determined under subparagraph (A) shall be used to determine the all-others rate under section {705(c)(5) of the Act}." Section 705(c)(5)(A) of the Act states that for companies not investigated, in general, we will determine an all-others rate by using the weighted-average countervailable subsidy rates established for each of the companies individually investigated, excluding zero and *de minimis* rates or any rates based solely on the facts available.

As indicated in the accompanying *Federal Register* notice of the preliminary results, dated concurrently with this preliminary decision memorandum, we preliminarily determine that Wor-Biz received countervailable subsidies that are above *de minimis*. Because Wor-Biz is the sole mandatory respondent for which a countervailable subsidy rate was calculated, we are applying to the non-selected companies the net subsidy rates calculated for Wor-Biz. Accordingly, for each of the nine companies for which a review was requested, and which were not selected as mandatory respondents, we are applying a preliminary subsidy rate of 5.13 percent *ad valorem*, consistent with section 705(c)(5) of the Act.<sup>15</sup>

## **IV. SCOPE OF THE ORDER<sup>16</sup>**

The merchandise covered by the scope of this order is cast iron soil pipe fittings, finished and unfinished, regardless of industry or proprietary specifications, and regardless of size. Cast iron

---

<sup>12</sup> See Petitioner's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Benchmark Data Submission," dated June 16, 2020.

<sup>13</sup> See Memorandum, "Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews in Response to Operational Adjustments Due to COVID-19," dated April 24, 2020.

<sup>14</sup> See Memorandum, "Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews," dated July 21, 2020.

<sup>15</sup> For a list of the non-selected companies, see the *Federal Register* notice, signed concurrently with this decision memorandum.

<sup>16</sup> See *Order*.

soil pipe fittings are nonmalleable iron castings of various designs and sizes, including, but not limited to, bends, tees, wyes, traps, drains (other than drain bodies), and other common or special fittings, with or without side inlets.

Cast iron soil pipe fittings are classified into two major types – hubless and hub and spigot. Hubless cast iron soil pipe fittings are manufactured without a hub, generally in compliance with Cast Iron Soil Pipe Institute (CISPI) specification 301 and/or American Society for Testing and Materials (ASTM) specification A888. Hub and spigot pipe fittings have hubs into which the spigot (plain end) of the pipe or fitting is inserted. Cast iron soil pipe fittings are generally distinguished from other types of nonmalleable cast iron fittings by the manner in which they are connected to cast iron soil pipe and other fittings.

Excluded from this scope are all drain bodies. Drain bodies are normally classified in subheading 7326.90.86.88 of the Harmonized Tariff Schedule of the United States (HTSUS).

The cast iron soil pipe fittings subject to the scope of this order are normally classified in subheading 7307.11.0045 of the HTSUS: Cast fittings of nonmalleable cast iron for cast iron soil pipe. They may also be entered under HTSUS 7324.29.0000 and 7307.92.3010. The HTSUS subheadings and specifications are provided for convenience and customs purposes only; the written description of the scope of this order is dispositive.

## **V. DIVERSIFICATION OF CHINA’S ECONOMY**

Dated concurrently with this decision memorandum, Commerce has placed the following excerpts from the National Bureau of Statistics of China’s China Statistical Yearbook on the record of this review: Index Page; Table 14-7: Main Indicators on Economic Benefit of State-owned and State-holding Industrial Enterprise by Industrial Sector; and Table 14-11: Main Indicators on Economic Benefit of Private Industrial Enterprise by Industrial Sector.<sup>17</sup> This information reflects a wide diversification of economic activities in China. The industrial sector in China alone is comprised of 37 listed industries and economic activities, indicating the diversification of China’s economy.

## **VI. SUBSIDIES VALUATION**

### **A. Allocation Period**

Commerce 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.<sup>18</sup> In the Initial Questionnaire, we notified the respondents to this proceeding that the AUL period would be 15 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).<sup>19</sup> The 15-year period corresponds to IRS Pub. 946 asset class, “33.4 “Manufacture of

---

<sup>17</sup> See Memorandum, “Analysis of Bank and Trust Companies in China Memo,” dated November 13, 2019.

<sup>18</sup> See 19 CFR 351.524(b).

<sup>19</sup> See U.S. Internal Revenue Service Publication 946 (2017), “How to Depreciate Property” at Table B-2: Table of Class Lives and Recovery Periods.

Primary Steel Mill Products.” Commerce notified the respondents of the 15-year AUL in the initial questionnaire and requested data accordingly.<sup>20</sup> No party in this proceeding submitted comments challenging the proposed AUL period, and we therefore preliminarily determine that a 15-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 expensed to the year of receipt rather than allocated over the AUL.

## **B. Attribution of Subsidies**

In accordance with 19 CFR 351.525(b)(6)(i), Commerce normally attributes a subsidy to the products produced by the company that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provides additional rules for the attribution of subsidies received by respondents with cross-owned affiliates. Subsidies to the following types of cross-owned affiliates are covered in these additional attribution rules: (ii) producers of the subject merchandise; (iii) holding companies or parent companies; (iv) producers of an input that is primarily dedicated to the production of the downstream product; or (v) an affiliate producing non-subject merchandise that otherwise transfers a subsidy to a respondent. Further, 19 CFR 351.525(c) provides that benefits from subsidies provided to a trading company which exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm producing the subject merchandise that is sold through the trading company, regardless of affiliation.

Wor-Biz identified itself as a privately-owned Chinese trading company and exporter of the subject merchandise.<sup>21</sup> In the Wor-Biz AQR, Wor-Biz explained that it exported subject merchandise produced by two unaffiliated companies.<sup>22</sup> Wor-Biz further explained that it was planning to submit a questionnaire response for one unaffiliated supplier, Guangzhou Premier, which produces most of the subject merchandise sold by Wor-Biz.<sup>23</sup> For the other unaffiliated supplier, Wor-Biz requested that Commerce exempt Wuhu Best from providing a full response to Commerce’s CVD questionnaire.<sup>24</sup> On December 11, 2020, Commerce explained that Wor-Biz is required to submit a response on behalf of Wuhu Best.<sup>25</sup> Furthermore, according to Commerce regulations, Commerce may calculate a deposit rate for each of the supplying producers and combine each producer rate with the trading company’s own deposit rate to establish producer-specific deposit rates for the trading company’s subject merchandise exports into the United States.<sup>26</sup>

---

<sup>20</sup> See Commerce CVD Questionnaire at III-15.

<sup>21</sup> See Wor-Biz AQR at Exhibit 2.

<sup>22</sup> *Id.* at 2.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 2-3.

<sup>25</sup> See Commerce’s Letter, “Cast Iron Soil Pipe Fittings from the People’s Republic of China: Countervailing Duty Administrative Review,” dated December 11, 2019 (Commerce Request for Wuhu Best Information).

<sup>26</sup> See 19 CFR 351.107(b)(1).

While Commerce normally opts to establish different producer-specific deposit rates for a trading company respondent in the AD context, our practice in CVD proceedings has been to derive a weighted-average of such rates to establish one deposit rate for the trading company respondent for all of its subject merchandise exports, regardless of the producer.<sup>27</sup> Either way, however, in the course of determining the deposit rate to apply to the trading company's subject entries, it is necessary for Commerce to first determine the individual deposit rate for each producer of subject merchandise exported by the trading company. In the CVD context, this means Commerce needs to identify and measure any subsidies that were provided to each producer, determine the benefits allocable to the POR, and calculate a net countervailable subsidy rate for each producer. Thus, regardless of whether a particular producer is selected as a mandatory respondent, Commerce must conduct the same level of analysis of each producer's subsidization as it would for a mandatory respondent, including an analysis of the producer's corporate affiliations for the purposes of attributing any subsidy benefit under our attribution rules at 19 CFR 351.525(b)(6)(i)-(vi), 351.525(b)(7) and 351.525(c). Therefore, we are attributing subsidies for the unaffiliated producers as described below.

### C. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondent's 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 unaffiliated producers, 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 Wor-Biz Preliminary Calculation Memorandum.<sup>28</sup>

Pursuant to 19 CFR 351.525(c), benefits from subsidies provided to a trading company which exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm that is producing subject merchandise that is sold through the trading company, regardless of whether the trading company and the producing firm are affiliated. Thus, we are cumulating the benefits from subsidies received by Guangzhou Premier with the benefits from subsidies received by Wor-Biz based on the ratio of Wor-Biz's exports to the United States of subject merchandise produced by Guangzhou Premier during the POR to Wor-Biz's total exports of subject merchandise to the United States during the POR (based on volume).<sup>29</sup> As for Wuhu

---

<sup>27</sup> *See, e.g., Final Affirmative Countervailing Duty Determination: Certain Pasta from Italy*, 61 FR 30288, 30309 (June 14, 1996), under "Suspension of Liquidation" (in which Commerce noted that "We calculated the *ad valorem* rate for Agritalia, an export trading company, by weight averaging, based on the value of exports to the United States represented by each of Agritalia's suppliers, the adjusted subsidy rate for each supplier and adding to this rate the subsidy rate calculated for Agritalia based on subsidies it received directly."); and *Certain Pasta from Italy: Final Results of the Fourth Countervailing Duty Administrative Review*, 66 FR 64214 (December 12, 2001), and accompanying Issues and Decision Memorandum (IDM).

<sup>28</sup> *See* Memorandum, "Wor-Biz International Trading Co., Ltd. (Anhui); Calculations for the Preliminary Results," dated concurrently with this decision memorandum (Wor-Biz Preliminary Calculation Memorandum).

<sup>29</sup> *See* Wor-Biz AQR at 1; and Wor-Biz Preliminary Calculation Memorandum.

Best, Wor-Biz's unaffiliated supplier failed to respond to Commerce's questionnaire as noted in the Use of Facts Available and Application of Adverse Inferences section below. Therefore, we are excluding sales of products that were supplied by Wuhu Best and sold by Wor-Biz during the POR from Wor-Biz's sales denominator because Commerce was unable to determine whether Wuhu Best received countervailable subsidies,<sup>30</sup> but as noted earlier and further explained below, we are assigning an AFA rate to subject merchandise produced or exported by Wuhu Best.

## **VII. USE OF FACTS OTHERWISE AVAILABLE AND APPLICATION OF ADVERSE INFERENCES**

Section 776(a) of the Act provides that Commerce shall, subject to section 782(d) of the Act, select from the "facts otherwise available" if: (1) necessary information is not on the record; or (2) an interested party or any other person withholds information that has been requested; fails to provide information within the deadlines established, or in the form and manner requested by Commerce, 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 Commerce determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that Commerce will so inform the party submitting the response and will, to the extent practicable, provide that party 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, Commerce may disregard all or part of the original and subsequent responses, as appropriate.

Section 776(b) of the Act provides that Commerce may use an adverse inference in selecting from 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, Commerce 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.<sup>31</sup> Further, 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 CVD investigation, a previous administrative review, or other information placed on the record.<sup>32</sup>

Section 776(c) of the Act provides that, in general, when Commerce relies on secondary information rather than 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.<sup>33</sup> Secondary information is defined as information derived from the petition that gave rise to the investigation, the determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.<sup>34</sup>

---

<sup>30</sup> See Wor-Biz Preliminary Calculation Memorandum.

<sup>31</sup> See section 776(b)(1)(B) of the Act.

<sup>32</sup> See 19 CFR 351.308(c).

<sup>33</sup> See 19 CFR 351.308(d).

<sup>34</sup> See Statement of Administrative Action, H.R. Doc. 103-316, vol 1 (1994) at 870 (SAA).

Finally, under section 776(d) of the Act, when using an adverse inference when selecting from the facts otherwise available, Commerce 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 Commerce considers reasonable to use.<sup>35</sup> When selecting from the facts otherwise available with an adverse inference, Commerce 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.<sup>36</sup> For purposes of these preliminary results, we are applying AFA in determining the subsidy rate for Qinshui Shunshida, Wuhu Best, and certain programs as outlined below.

A. Application of AFA to Non-Responsive Mandatory Respondent and Non-Responsive Unaffiliated Supplier

As noted in the “Background” section above, Commerce issued questionnaires to Qinshui Shunshida.<sup>37</sup> However, Qinshui Shunshida did not submit a questionnaire response, and thus, did not respond to our request for information. With regard to Wor-Biz’s unaffiliated supplier, Wuhu Best, the questionnaire directed respondents as follows regarding subject merchandise produced by other Chinese companies: “If your company exported subject merchandise produced by other companies in your country during the POR, then you must submit complete questionnaire responses for all producers that supply your company.”<sup>38</sup> In its affiliated party questionnaire response, Wor-Biz requested that Commerce exempt Wuhu Best from responding to Commerce’s questionnaire.<sup>39</sup> Furthermore, on December 2, 2019, Wor-Biz provided Commerce with its correspondence with Wuhu Best in which Wuhu Best refused to participate.<sup>40</sup> On December 11, 2019, Commerce informed Wor-Biz that Wuhu Best was required to respond to Commerce’s CVD questionnaire.<sup>41</sup> Specifically, Commerce explained to Wor-Biz, “according to 19 CFR 351.525(c), the benefits from subsidies to a trading company should be culminated with benefits from subsidies to the producer.” Therefore, we requested Wor-Biz to submit a complete response to Commerce’s CVD questionnaire for Wuhu Best. However, Wuhu Best did not submit a questionnaire response, and thus, did not respond to our request for information.

Accordingly, we preliminarily determine that Qinshui Shunshida and Wuhu Best withheld necessary information that was requested of them, failed to provide information within the deadlines established, and thus significantly impeded this proceeding. Therefore, Commerce will rely on facts otherwise available in making our preliminary determination with respect to Qinshui Shunshida and Wuhu Best, pursuant to sections 776(a)(2)(A)-(C) of the Act. Moreover, we preliminarily determine that an adverse inference is warranted in selecting from the facts

---

<sup>35</sup> See section 776(d)(1) of the Act.

<sup>36</sup> See section 776(d)(3) of the Act.

<sup>37</sup> See Commerce CVD Questionnaire at 1.

<sup>38</sup> *Id.* at III- 2.

<sup>39</sup> See Wor-Biz AQR at 2.

<sup>40</sup> See Wor-Biz’s Letter, “Cast Iron Soil Pipe Fittings from the People’s Republic of China,” dated December 2, 2019.

<sup>41</sup> See Commerce Request for Wuhu Best Information.

otherwise available, pursuant to section 776(b) of the Act, because, by not responding to Commerce's questionnaire, Qinshui Shunshida and Wuhu Best did not cooperate to the best of their ability to comply with the request for information in this administrative review. Moreover, we preliminarily find that use of AFA is warranted to ensure that Qinshui Shunshida and Wuhu Best do not obtain a more favorable result by failing to cooperate than if they had fully complied with our requests for information.

We included all programs upon which Commerce initiated an administrative review to determine the AFA subsidy rate.<sup>42</sup> Because Qinshui Shunshida and Wuhu Best failed to act to the best of their ability in this review, as discussed above, we are making an adverse inference that each of these programs were used by Qinshui Shunshida and Wuhu Best. As AFA, we also determine that the programs confer a benefit, in accordance with section 771(5)(E) of the Act. We are, therefore, including these programs in our preliminary determination of the AFA subsidy rate as described below.

## B. Selection of the AFA Rate

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1) and (2) authorize Commerce to rely on information derived from: (1) the petition, (2) a final determination in the investigation, (3) any previous review or determination, or (4) any other information placed on the record. Commerce's practice when selecting an adverse rate from among the possible sources of information is to ensure that the rate is sufficiently adverse "as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide Commerce with complete and accurate information in a timely manner."<sup>43</sup> Commerce's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."<sup>44</sup>

---

<sup>42</sup> In the investigation segment of this proceeding, we made financial contribution and specificity findings for these programs. See *Cast Iron Soil Pipe Fittings from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination*, 83 FR 60178 (December 19, 2017), and accompanying Preliminary Decision Memorandum (PDM) (*Soil Pipe Fittings Investigation Prelim*), unchanged in *Cast Iron Soil Pipe Fittings from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 83 FR 32075 (July 11, 2018), and accompanying IDM (*Soil Pipe Fittings Investigation Final*). It is Commerce's practice not to revisit past financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence. See *Certain Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, Products from the People's Republic of China: Final Results of Countervailing Duty Administrative Review, 2012*, 80 FR 41003 (July 14, 2015), and accompanying IDM at 27 n.130 ("In a CVD administrative review, we do not revisit past determinations of countervailability made in the proceeding, absent new information.") (*Photovoltaic Cells*); and *Magnola Metallurgy, Inc. v. United States*, 508 F. 3d 1349, 1353-56 (Fed. Cir. 2007) (*Magnola Metallurgy*). In this administrative review, the GOC withheld information requested of it, including new information regarding the financial contribution and specificity of these programs. In light of the lack of new information on the record, and consistent with our practice and *Magnola Metallurgy*, we are continuing to find these programs to be countervailable.

<sup>43</sup> See, e.g., *Drill Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 76 FR 1971 (January 11, 2011); and *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

<sup>44</sup> See SAA at 870.

Specifically, in administrative reviews, Commerce applies the highest calculated above-*de minimis* rate for the identical program from any segment of the same proceeding. If there is no identical program match within the same proceeding, or if the rate is *de minimis*, Commerce uses the highest non-*de minimis* rate calculated for a similar program from any segment in the same proceeding, based on treatment of the benefit. Absent an above-*de minimis* subsidy rate calculated for the identical or similar program from the same proceeding, Commerce looks to other proceedings involving the same country and applies the highest calculated above-*de minimis* subsidy rate for the identical or similar/comparable program. Where no above-*de minimis* rate for an identical or similar/comparable program within the country has previously been calculated, Commerce applies the highest calculated rate for any program from any CVD case involving the same country that could conceivably be used by the non-cooperating company.

In applying AFA to determine net subsidy rates for Qinshui Shunshida and Wuhu Best, we are guided by the Commerce methodology detailed above. For these preliminary results we have selected, as AFA, the highest calculated program-specific above – *de minimis* rates from any segment of this proceeding,<sup>45</sup> for the following programs:

- Policy Loans to Soil Pipe Fittings Industry
- Export Loans
- Treasury Bond Loans
- Preferential Loans for State-Owned Enterprises
- Preferential Lending to CISPF Producers and Exporters Classified as “Honorable Enterprises”
- Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- Provision of Pig Iron for Less than Adequate Remuneration (LTAR)
- Provision of Ferrous Scrap for LTAR
- Provision of Electricity for LTAR
- Brand Building Funds for Medium, Small and Micro-sized Enterprises, 2016
- Promotion Funds for Coordinated Development of Foreign Trade and Economic Region
- Aid for Middle and Small Enterprise for Developing International Market
- Bonus to Middle and Small Enterprise
- Bonus for Foreign Trade
- Assistance Fund
- Foreign Trade Promotion Fund in 2016
- Fund to Middle and Small Enterprise for Developing Markets
- Bonus for the Company’s Sports Brand in Exhibition
- Interest Discount Funds
- Provision of Iron Ore for LTAR
- Provision of Metallurgical Coke for LTAR.

Also, we preliminarily find, as AFA, that each of the non-responsive companies paid no income

---

<sup>45</sup> See Appendix; and *Soil Pipe Fittings Investigation Final IDM* at Appendix.

tax during the POR, including under:

- Preferential Income Tax Program for High and New Technology Enterprises
- Preferential Deduction of R&D Expenses for High and New Technology Enterprises
- Income Tax Benefits for Domestically Owned Enterprises Engaging in Research and Development
- Preferential Income Tax Policy for Enterprises in the Northeast Region
- Reduction in Exemption from Fixed Assets Investment Orientation Regulatory Tax
- Preferential Income Tax Subsidies for Foreign Invested Enterprises – Export Oriented FIEs
- Small Low-Profit Enterprise Income Tax Preferential
- Income Tax Credits for domestically owned companies purchasing Domestically Produced Equipment
- Tax Incentives for Businesses in China (Shanghai) Pilot Free Trade Zone.

The standard corporate income tax rate in China is 25 percent.<sup>46</sup> We, therefore, find the highest possible benefit for all income tax exemption and reduction programs combined is 25 percent (*i.e.*, the income tax programs combined provide a countervailable benefit of 25 percent). 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 exemption programs, because such programs may not affect the tax rate.<sup>47</sup>

For the following programs, we are applying, where available, the highest above-*de minimis* subsidy rate calculated for a similar program in the same proceeding, based on treatment of the benefit.<sup>48</sup> For these preliminary results, we can match, based on program names, program type, descriptions, and/or benefit treatments, the following programs to similar programs from the current administrative review:

- Debt-to-Equity Swaps
- Exemptions for SOEs from Distributing Dividends to the State
- The State Key Technology Fund
- Foreign Trade Development Fund Grant
- Export Assistance Grants
- Subsidies for Development of Famous Export Brands and China World Top Brands
- Grants to Loss-Making SOEs
- Export Interest Subsidies
- Grants for Energy Conservation and Emission Reduction
- Grants for Retirement of Capacity
- Grants for Relocating Production Facilities
- Patent Assistance Funds
- Party Construction Fund for the year 2015

---

<sup>46</sup> See Wor-Biz IQR at Exhibit 4a.

<sup>47</sup> See, e.g., *Aluminum Extrusions from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) at “Application of Adverse Inferences: Non-Cooperative Companies.”

<sup>48</sup> See Appendix.

- Special Fund for Foreign Economic Development (on International Operation Capacity Enhancement) the First Tranche of the year 2015
- Special Fund for Foreign Economic Development (on International Operation Capacity Enhancement), the Second Tranche of the year 2015
- Supporting Funds for Circulating Program
- Government Awards for Brand Name Product in Shanxi Province
- Financial Funds Introduction
- Supporting Funds for Private Economy Development of SME
- Funds for Energy Saving Technology Improvement Project in Smelting Section
- Assistance on credit insurance
- Certificate of Shanxi Brand Name Product
- Provision of Coking Coal for LTAR.

Lastly, for all other programs, we are applying, where available, the highest above-*de minimis* subsidy rate calculated for the same or comparable programs in China.<sup>49</sup> For these preliminary results, we can match, based on program names, program type, descriptions, and/or benefit treatments, the following programs to the same or comparable programs from other CVD proceedings within China:

- Loan and Interest Forgiveness for SOEs
- VAT and Tariff Exemptions for Purchases of Fixed Assets under the Foreign Trade Development Fund
- Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
- Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
- Provision of Land to SOEs for LTAR
- VAT Refunds for Foreign Invested Enterprises (FIEs) on Purchases of Chinese-Made Equipment.

Accordingly, we preliminarily determine the AFA net countervailable subsidy rate for the non-responsive companies Qinshui Shunshida and Wuhu Best to be 111.72 percent *ad valorem*. The Appendix contains a chart summarizing our calculation of this rate.

---

<sup>49</sup> See citations in Appendix.

C. Application of AFA: Provision of Ferrous Scrap for LTAR<sup>50</sup>

*GOC – Market Distorted by Government Presence*

In order to determine the appropriate benchmark with which to measure the benefit from the provision of inputs at LTAR under 19 CFR 351.511, Commerce asked the GOC several questions concerning the structure of the industries for ferrous scrap (a key input used by the mandatory respondents).<sup>51</sup> Specifically, Commerce requested that the GOC provide the following information for ferrous scrap:

1. The total number of producers;
2. The total volume and value of Chinese domestic consumption of ferrous scrap and the total volume and value of Chinese domestic production of ferrous scrap;
3. The percentage of domestic consumption accounted for by domestic production.
4. The total volume and value of imports of ferrous scrap;
5. The percentage of total volume and (separately) value of domestic production that is accounted for by companies in which the Government maintains a majority ownership or a controlling management interest, either directly or through other Government entities. Please also provide a list of the companies that meet these criteria.
6. If the share of total volume and/or value of production that is accounted for by the companies identified in paragraph “5”, above, is less than 50 percent, please provide the following information:
  - a. The percentage of total volume and value of domestic production that is accounted for by companies in which the Government maintains some, but not a majority, ownership interest or some, but not a controlling, management interest, either directly or through other Government entities.
  - b. A list of the companies that meet the criteria under sub-paragraph “a”, above.
  - c. A detailed explanation of how it was determined that the government has less than a majority ownership or less than a controlling interest in such companies, including identification of the information sources relied upon to make this assessment.

---

<sup>50</sup> In the investigation Commerce countervailed the provision of various inputs for LTAR (Provision of Pig Iron for LTAR, Provision of Metallurgical Coke for LTAR, and Iron Ore for LTAR). Guangzhou Premier, Wor-Biz’s unaffiliated supplier, did not purchase pig iron, metallurgical coke, or iron ore during the POR. See Guangzhou Premier IQR at 13. Our analysis therefore focuses on the provision of ferrous scrap, the input that Guangzhou Premier reported purchasing during the POR.

<sup>51</sup> See Commerce CVD Questionnaire at II-4 and 5.

7. A discussion of what laws, plans or policies address the pricing of ferrous scrap, the levels of production of ferrous scrap, the importation or exportation of ferrous scrap, or the development of ferrous scrap capacity. Please state which, if any, central and subcentral level industrial policies pertain to the ferrous scrap industries.

Commerce requested such information to determine whether the GOC is the predominant provider of these inputs in China and whether its presence in the market distorts all transaction prices.

In response, the GOC stated that it does not maintain records on the ferrous scrap industry.<sup>52</sup> Further, the GOC stated that ferrous scrap is not produced or manufactured.<sup>53</sup> Instead, “it is discarded or leftover metal waste from other ferrous product manufacturing or from end use consumption, such as discarded equipment or vehicle parts, building supplies and other surplus material.”<sup>54</sup> In addition, the GOC did not respond to the above-noted questions from Commerce because it stated that there were no producers of ferrous scrap and it does not maintain statistics of the ferrous scrap industry.<sup>55</sup> Therefore, the GOC did not respond to Commerce’s question concerning the identity of the producers in which the GOC maintains an ownership or management interest – either directly or through other government entities.<sup>56</sup>

The record evidence does indicate that the GOC levied a 40 percent tariff on ferrous scrap exports in the 2017-2018 period.<sup>57</sup> Export tariffs can increase the domestic quantity of ferrous scrap that is available in China with the result that such measures will suppress domestic prices. Furthermore, with regard to the percentage of domestic consumption accounted for by domestic production, the GOC did not provide import and consumption data in its questionnaire response.<sup>58</sup>

In a supplemental questionnaire, Commerce specifically requested that the GOC respond to the questions in our initial questionnaire and, as noted above, concerning the ferrous scrap industry.<sup>59</sup> In the supplemental questionnaire, we also asked additional questions concerning the ferrous scrap industry.<sup>60</sup> The GOC did not respond to our supplemental questionnaire. Furthermore, given that the Chinese Association of Metalscrap Utilization (CAMU) is under the guidance and supervision of the State-owned Assets Supervision and Administration Commission of the State Council and Ministry of Civil Affairs, and prepares statistical analysis and reports of the scrap iron and steel industry according its Articles of Association,<sup>61</sup> Commerce cannot accept the conclusion that the GOC has no way of identifying the industries to which these ferrous scrap companies belong.

---

<sup>52</sup> See GOC IQR at 5.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at 6.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 8.

<sup>58</sup> *Id.* at 6.

<sup>59</sup> See GOC SQ at 3-4.

<sup>60</sup> *Id.*

<sup>61</sup> See GOC IQR at Exhibit II E.9.

In past proceedings, the GOC has demonstrated that it has the ability through the State Statistical Bureau or other sources (*e.g.*, industry associations), to report data concerning the production of a wide variety of inputs.<sup>62</sup> Therefore, we preliminarily determine that the GOC, having failed to provide such data, has withheld information that was requested of it, and that the use of facts available is warranted, pursuant to section 776(a)(2)(A) of the Act. Moreover, we preliminarily determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information, and thus, the application of AFA pursuant to section 776(b) of the Act is warranted.

For these reasons and based on the record evidence discussed above, such as the GOC unresponsiveness to providing production, consumption, and import data relating to the ferrous scrap industry and the 40 percent export tariff for ferrous scrap, we preliminarily determine, as AFA, that domestic markets for ferrous scrap are distorted through the intervention of the GOC, and we are, therefore, relying on an external benchmark for determining the benefit from the provision of ferrous scrap at LTAR, in accordance with 19 CFR 351.511(a)(2)(ii).

#### *Certain Producers of Ferrous Scrap are “Authorities” and Specificity*

The GOC did not provide complete responses to Commerce’s questions regarding the alleged provision of ferrous scrap for LTAR. In addition, Commerce issued a supplemental questionnaire to the GOC on January 14, 2020, to which the GOC failed to respond.<sup>63</sup> The questionnaire requested information needed to determine whether the provision of ferrous scrap 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 a previous segment of this proceeding, Commerce found the provision of ferrous scrap for LTAR to be countervailable, in part because this program constituted a financial contribution by an authority and was specific.<sup>64</sup> It is Commerce’s practice not to revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence.<sup>65</sup> The United States Court of Appeals for the Federal Circuit (CAFC) has affirmed this practice, under section 751(a)(1)(A) of the Act.<sup>66</sup> In this administrative review, the GOC withheld information requested of it, including new information regarding the financial contribution and specificity of this program. In light of the lack of new information on the record, and consistent with our practice and *Magnola Metallurgy*, we are continuing to find this program to constitute a financial contribution by an authority and to be specific. For details regarding the remainder of our analysis, *see* the “Provision of Ferrous Scrap

---

<sup>62</sup> *See, e.g., Certain Crystalline Silicon Photovoltaic Products from the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 79 FR 33174 (June 10, 2014), and accompanying PDM at 14-15, unchanged in *Countervailing Duty Investigation of Certain Crystalline Silicon Photovoltaic Products from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 76962 (December 23, 2014) (*Solar Cells from China 2012*).

<sup>63</sup> *See* GOC SQ.

<sup>64</sup> *See Soil Pipe Fittings Investigation Prelim* at 11-15, unchanged in *Soil Pipe Fittings Investigation Final*.

<sup>65</sup> *See Solar Cells from China 2012* IDM at 27 n.130 (“In a CVD administrative review, we do not revisit past determinations of countervailability made in the proceeding, absent new information.”).

<sup>66</sup> *See Magnola Metallurgy*, 508 F. 3d at 1353-56.

for LTAR” section. To preliminarily determine whether benefits were provided as a result of these subsidies within the meaning of section 771(5)(E) of the Act, Commerce relied on the information provided by Wor-Biz.

D. Application of AFA: Provision of Electricity for LTAR

*GOC*

The GOC did not provide complete responses to Commerce’s questions regarding the alleged provision of electricity for LTAR. In addition, Commerce issued a supplemental questionnaire to the GOC on January 14, 2020, to which the GOC failed to respond.<sup>67</sup> The questionnaire 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 a previous segment of this proceeding, Commerce found the provision of electricity for LTAR to be countervailable, in part because this program constituted a financial contribution by an authority and was specific.<sup>68</sup> It is Commerce’s practice not to revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence.<sup>69</sup> The CAFC has affirmed this practice, under section 751(a)(1)(A) of the Act.<sup>70</sup> In this administrative review, the GOC withheld information requested of it, including new information regarding the financial contribution and specificity of this program. In light of the lack of new information on the record, and consistent with our practice and *Magnola Metallurgy*, we are continuing to find this program to constitute a financial contribution by an authority and to be specific. For details regarding the remainder of our analysis, *see* the “Provision of Electricity for LTAR” section.

To preliminarily determine whether benefits were provided as a result of these subsidies within the meaning of section 771(5)(E) of the Act, Commerce relied on the information provided by Wor-Biz. In this administrative review 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 National Development and Reform Commission and provincial governments. Therefore, we are applying AFA in selecting the benchmark for determining the existence and amount of the benefit. The benchmark rates we selected are derived from the record of this review 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.

---

<sup>67</sup> *See* GOC SQ.

<sup>68</sup> *See Soil Pipe Fittings Investigation Prelim* at 18-22, unchanged in *Soil Pipe Fittings Investigation Final*.

<sup>69</sup> *See Solar Cells from China 2012*, and accompanying IDM at 27 n.130 (“In a CVD administrative review, we do not revisit past determinations of countervailability made in the proceeding, absent new information.”).

<sup>70</sup> *See Magnola Metallurgy*, 508 F. 3d at 1353-56.

## VIII. INTEREST RATE BENCHMARKS, DISCOUNT RATES, INPUTS, AND ELECTRICITY

Commerce is investigating loans received by the cooperative mandatory respondent and its cross-owned affiliate from Chinese policy banks and state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies received by the mandatory respondent and its unaffiliated supplier.<sup>71</sup> 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, Commerce uses comparable commercial loans reported by the company as a benchmark.<sup>72</sup> If the firm did not have any comparable commercial loans during the POR, Commerce’s regulations provide that we “may use a national average interest rate for comparable commercial loans.”<sup>73</sup>

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. For the reasons first explained in *CFS from China*, loans provided by Chinese banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market.<sup>74</sup> In an analysis memorandum dated July 21, 2017, Commerce conducted a re-assessment of the lending system in China.<sup>75</sup> Based on this re-assessment, Commerce has concluded that, despite reforms to date, the GOC’s role in the system continues to fundamentally distort lending practices in China in terms of risk pricing and resource allocation, precluding the use of interest rates in China 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, Commerce is selecting an external market-based benchmark interest rate. The use of an external benchmark is consistent with Commerce’s practice. For example, in *Lumber from Canada*, Commerce used U.S. timber prices to measure the benefit for government-provided timber in Canada.<sup>76</sup> In past proceedings involving imports from China, we calculated the external benchmark using the methodology first developed in *CFS from China* and later updated in *Thermal Paper from*

---

<sup>71</sup> See 19 CFR 351.524(b)(1).

<sup>72</sup> See 19 CFR 351.505(a)(3)(i).

<sup>73</sup> See 19 CFR 351.505(a)(3)(ii).

<sup>74</sup> See *Coated Free Sheet Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) IDM at Comment 10.

<sup>75</sup> See Memorandum, “Review of China’s Financial System Memorandum,” dated concurrently with this memorandum at Attachments 1 and 2.

<sup>76</sup> 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 IDM at “Analysis of Programs: Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.”

*China*.<sup>77</sup> Under that methodology, we first determine which countries are similar to China 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 China*, this pool of countries captures the broad inverse relationship between income and interest rates. For 2003 through 2009, China fell in the lower-middle income category.<sup>78</sup> Beginning in 2010, however, China was classified in the upper-middle income category and remained there from 2011 to 2018.<sup>79</sup> 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 the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2018. This is consistent with Commerce’s calculation of interest rates for recent CVD proceedings involving Chinese merchandise.<sup>80</sup>

After Commerce 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 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 2011-2018, 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.<sup>81</sup> For 2010, however, the regression does not yield that outcome for China’s income group.<sup>82</sup> 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 China* to compute the benchmarks for the years from 2001-2009 and 2011-2018. 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 2010-2017 and “lower middle income” for 2001 – 2009.<sup>83</sup> First, we did not include those economies that Commerce considered to be non-market

---

<sup>77</sup> See *CFS from China* IDM at Comment 10; and *Lightweight Thermal Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from China*), and accompanying IDM at 8-10.

<sup>78</sup> See World Bank Country Classification, <http://data.worldbank.org/about/country-and-lending-groups> (World Bank Country Classification).

<sup>79</sup> *Id.*

<sup>80</sup> 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 IDM at “VII. Subsidies Valuation: Benchmarks and Discount Rates,” unchanged in *Certain Frozen Warmwater Shrimp from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013).

<sup>81</sup> See Memorandum, “Cast Iron Soil Pipe Fittings from China: Countervailing Duty Administrative Review: Loan Interest Rate Benchmarks,” dated concurrently with this memorandum (Interest Rate Benchmark Memorandum).

<sup>82</sup> *Id.*

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

economies 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 removed 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 Commerce calculated a short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question.<sup>84</sup> Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.<sup>85</sup>

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, Commerce developed an adjustment to the short – and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates.<sup>86</sup>

In *Citric Acid From China*, this methodology was revised by switching from a long-term markup based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where “n” equals or approximates the number of years of the term of the loan in question.<sup>87</sup> 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 the discount rate the long-term interest rate calculated for the year in which the non-recurring subsidy was approved by the government. The interest rate benchmarks, and discount rates used in our preliminary calculations are provided in the Wor-Biz Preliminary Calculation Memorandum.<sup>88</sup>

## C. Benchmarks to Determine Adequacy of Remuneration of Inputs

The adequacy of remuneration for government-provided goods or services is determined pursuant to 19 CFR 351.511(a)(2). Under 19 CFR 351.511(a)(2), Commerce measures the remuneration received by a government for goods or services against comparable benchmark prices to determine whether the government provided goods or services for LTAR. These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation (*e.g.*, actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of

---

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

<sup>85</sup> *Id.*

<sup>86</sup> *See, e.g., Thermal Paper from China* IDM at 10.

<sup>87</sup> *See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009), and accompanying IDM at Comment 14.

<sup>88</sup> *See* Wor-Biz Preliminary Calculation Memorandum.

whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation (*i.e.*, tier one). This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

#### *Provision of Ferrous Scrap for LTAR*

Guangzhou Premier reported that it did not use any inputs in the production of soil pipe fittings, the provision of which had previously been found countervailable, besides ferrous scrap.<sup>89</sup> We selected benchmarks for determining the benefit from the provision of ferrous scrap in accordance with 19 CFR 351.511. Section 351.511(a)(2) sets forth the basis for identifying comparative benchmarks for determining whether a government good or service is provided for LTAR. For ferrous scrap, as discussed in the section entitled “Use of Facts Otherwise Available and Adverse Inferences,” above, we preliminarily determine that Guangzhou Premier’s input producers are “authorities.” Therefore, prices from these producers do not constitute market-determined prices. Moreover, as discussed above in the “Application of AFA: *GOC – Market Distorted by Government Presence*” section and below in the “Provision of Ferrous Scrap for LTAR” section, we are relying on “tier two” (world market) prices for the input benchmark for these programs.

The petitioner submitted ferrous scrap monthly data from the American Metal Market.<sup>90</sup> The average of the export prices provided by the petitioner represents an average of commercially available world market prices for the inputs that would be available to purchasers in China. Also, 19 CFR 351.511(a)(2)(ii) states that where there is more than one commercially available world market price, Commerce will average the prices to the extent practicable. Therefore, we averaged the prices to calculate a single benchmark by month.

#### *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 review as our benchmark for measuring the adequacy of remuneration.

## **IX. ANALYSIS OF PROGRAMS**

Based upon our analysis of the record, including the responses to our questionnaires, we preliminarily determine the following:

---

<sup>89</sup> See Guangzhou Premier IQR at 13.

<sup>90</sup> See CISPI’s Letter, “Cast Iron Soil Pipe Fittings from the People’s Republic of China: Benchmark Data Submission,” dated June 16, 2020.

## A. Programs Preliminarily Determined to Be Countervailable

### 1. Provision of Ferrous Scrap for LTAR

Commerce determined in the investigation that this program was countervailable.<sup>91</sup> Specifically, we found the provision of ferrous scrap to be specific within the meaning of section 771(5A)(D) of the Act and to confer a financial contribution by an authority within the meaning of section 771(5)(D) of the Act. Additionally, as stated above, in the “Application of AFA: Provision of Inputs for LTAR” section, the GOC failed to provide information with respect to this program. The record information in this segment of the proceeding therefore supports the same findings as in the investigation, and there is no other information on the record that leads us to reconsider that determination. Therefore, consistent with our practice not to revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence,<sup>92</sup> we preliminarily continue to find that this program is specific within the meaning of section 771(5A)(D) of the Act and confers a financial contribution within the meaning of section 771(5)(D) of the Act.

As explained in the Wor-Biz Calculation Memorandum, Commerce adjusted the benchmark price to include delivery charges, import duties, and VAT pursuant to 19 CFR 351.511(a)(2)(iv). Regarding delivery charges, we included ocean freight and inland freight charges that would be incurred to deliver ferrous scrap to Guangzhou Premier’s production facility. We added import duties as reported by the GOC, and the VAT applicable to imports of ferrous scrap into China, also as reported by the GOC.<sup>93</sup> In calculating VAT, we applied the applicable VAT rate to the benchmark after first adding in amounts for ocean freight and import duties. We compared these monthly benchmark prices to the respondent’s reported purchase prices for individual domestic transactions, including VAT and delivery charges.<sup>94</sup>

Based on this comparison, we preliminarily determine that ferrous scrap was provided for LTAR and that a benefit exists in the amount of the difference between the benchmark prices and the prices paid by Guangzhou Premier.<sup>95</sup> We divided the total benefits by the appropriate total sales denominator, as discussed in the “Subsidies Valuation” section, and in the Wor-Biz Preliminary Calculation Memorandum. On this basis, we preliminarily determine a subsidy rate for Wor-Biz of 3.12 percent *ad valorem*.<sup>96</sup>

### 2. Provision of Electricity for LTAR

In the original investigation, Commerce determined this program to be countervailable based, in part, on the application of AFA.<sup>97</sup> As discussed in the “Use of Facts Otherwise Available and Application of Adverse Inferences” section, we are preliminarily basing our finding on the

---

<sup>91</sup> See *Soil Pipe Fittings Investigation Prelim* at 34-35, unchanged in *Soil Pipe Fittings Investigation Final*.

<sup>92</sup> See *Solar Cells from China 2012 IDM* at 27 n.130; and *Magnola Metallurgy*, 508 F. 3d at 1353-56.

<sup>93</sup> See GOC IQR at 56.

<sup>94</sup> See Wor-Biz Preliminary Calculation Memorandum.

<sup>95</sup> See 19 CFR 351.511(a).

<sup>96</sup> For the attribution of Guangzhou Premier’s subsidy rate to Wor-Biz, see Wor-Biz Preliminary Calculation Memorandum.

<sup>97</sup> See *Soil Pipe Fittings Investigation Prelim* at 37-38, unchanged in *Soil Pipe Fittings Investigation Final*.

government's provision of electricity, in part, on AFA. The record information in this segment of the proceeding supports the same findings as the investigation, and there is no other information on the record that leads us to reconsider that determination. Therefore, consistent with our practice not to revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence,<sup>98</sup> we preliminarily continue to find that this program is specific within the meaning of section 771(5A)(D) of the Act and confers a financial contribution within the meaning of section 771(5)(D) of the Act.

However, where possible, Commerce will rely on the responsive producer's or exporter's records to determine the existence and amount of the benefit, to the extent that those records are useable and verifiable. Guangzhou Premier reported using this program, and provided data on its electricity consumption and the electricity rates paid during the POR.<sup>99</sup> To measure the benefit under the program, we compared the rates paid by the respondent for its electricity to the highest rates that it could have paid in China during the POR.

In deriving the benchmark,<sup>100</sup> we selected the highest non-seasonal provincial rates in China during the POR for each applicable user category (*e.g.*, "large industrial user," and "normal industrial and commercial user"), voltage class (*e.g.*, 1-10kv, 35kv), time period (general, peak, normal, and valley), and basic fee (*e.g.*, "base charge/maximum demand") as provided by the GOC.<sup>101</sup> We calculated benchmark electricity payments by multiplying consumption volumes by the benchmark electricity rate corresponding to the user category, voltage class, and time period (*i.e.*, peak, normal, and valley), where applicable. We then compared the calculated benchmark payments to the actual electricity payments made by the company during the POR. Where the benchmark payments exceeded the payments made by the company, a benefit was conferred. Based on this comparison, we preliminarily find that electricity was provided for LTAR to Guangzhou Premier.

To calculate the countervailable subsidy rates for the POR, we divided the amount of benefits received by Guangzhou Premier by the appropriate sales denominator for the POR. On this basis, we preliminarily determine that subsidy rate attributable to Wor-Biz is 1.51 percent *ad valorem*.<sup>102</sup>

### 3. Policy Loans to the Cast Iron Soil Pipe Fittings Industry

Commerce determined in the investigation segment of this proceeding that this program was countervailable.<sup>103</sup> Specifically, we found that policy lending was *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act because of the GOC's policy, as illustrated in the government plans and directives, to encourage and support the growth and development of the

---

<sup>98</sup> See *Solar Cells from China 2012* IDM at 27 n.130; and *Magnola Metallurgy*, 508 F. 3d at 1353-56.

<sup>99</sup> See Wor-Biz SQR at Exhibit S1-2.

<sup>100</sup> See 19 CFR 351.511(a)(2).

<sup>101</sup> See GOC IQR at Exhibit ELEC-2.

<sup>102</sup> For the attribution of Guangzhou Premier's subsidy rate to Wor-Biz, see Wor-Biz Preliminary Calculation Memorandum.

<sup>103</sup> See *Soil Pipe Fittings Investigation Prelim* at 31-34, unchanged in *Soil Pipe Fittings Investigation Final*.

cast iron soil pipe fittings industry.<sup>104</sup> Additionally, we found that loans to cast iron soil pipe fittings producers from policy banks and SOCBs in China constitute financial contributions from “authorities” within the meaning of sections 771(5)(B) and 771(5)(D)(i) of the Act, and they 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.<sup>105</sup> It is Commerce’s practice not to revisit past financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence.<sup>106</sup> Accordingly, consistent with this practice and Commerce’s findings in the investigation segment of this proceeding, we preliminarily continue to determine that these loans are *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act and constitute a financial contribution within sections 771(5)(B) and 771(5)(D)(i) of the Act.

Wor-Biz and Guangzhou Premier reported having loans outstanding from Chinese policy banks or SOCBs during the POR under this program.<sup>107</sup> To calculate the benefit from this program, we used the benchmarks discussed under the “Benchmarks to Determine Adequacy of Remuneration of Inputs” section. On this basis, we preliminarily determine a subsidy rate of 0.62 percent *ad valorem* for Wor-Biz.<sup>108</sup>

#### 4. Grants

Wor-Biz reported receiving certain grants which we found to be countervailable in the investigation segment of this proceeding.<sup>109</sup> These grant programs are: (a) Bonus for Foreign Trade, b) Assistance Fund, and c) Aid for Middle and Small Enterprise for Developing International Market. The GOC did not indicate that there were any changes to any of these programs.<sup>110</sup> It is Commerce’s practice not to revisit past financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence.<sup>111</sup> Accordingly, consistent with this practice and our findings in the investigation, we preliminarily continue to determine that these grants are specific within the meaning of section 771(5A)(B) of the Act, and constitute a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act. To calculate the *ad valorem* subsidy rate for these grants, Commerce divided the benefit conferred under each of these programs during the POR by Wor-Biz’s total export sales.

For the Bonus for Foreign Trade grant, we calculated net countervailable *ad valorem* subsidy rate of 0.04 percent for Wor-Biz during the POR.<sup>112</sup>

---

<sup>104</sup> *Id.*

<sup>105</sup> See section 771(5)(E)(ii) of the Act.

<sup>106</sup> See *Photovoltaic Cells*; and *Magnola Metallurgy*, 508 F. 3d at 1353-56.

<sup>107</sup> See Wor-Biz IQR at 12-13 and Exhibit 8; and Guangzhou Premier IQR at 11 and Exhibit 8.

<sup>108</sup> For the attribution of Guangzhou Premier’s subsidy rate to Wor-Biz, see Wor-Biz Preliminary Calculation Memorandum.

<sup>109</sup> See *Soil Pipe Fittings Investigation Prelim* at 38-39, unchanged in *Soil Pipe Fittings Investigation Final*.

<sup>110</sup> See GOC IQR at 3-4.

<sup>111</sup> See *Photovoltaic Cells*; and *Magnola Metallurgy*, 508 F. 3d at 1353-56.

<sup>112</sup> See Wor-Biz Preliminary Calculation Memorandum.

For the Assistance Fund grant, we calculated a net countervailable *ad valorem* subsidy rate of 0.09 percent for Wor-Biz during the POR.<sup>113</sup>

For the Aid for Middle and Small Enterprise for Developing International Market grant, we calculated a net countervailable *ad valorem* subsidy rate of 0.02 percent for Wor-Biz during the POR.<sup>114</sup>

### **C. Programs Preliminarily Determined Not to Confer a Measurable Benefit**

#### **1. Grants**

Wor-Biz reported receiving certain additional Bonus for Foreign Trade, Assistance Fund, and Aid for Middle and Small Enterprise for Developing International Market grants prior to and during the POR. Commerce found these grants to be countervailable in the investigation segment of this proceeding.<sup>115</sup> The GOC did not indicate that there were any changes to any of these programs.<sup>116</sup> It is Commerce's practice not to revisit past financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence.<sup>117</sup> Accordingly, consistent with this practice and our findings in the investigation, we preliminarily continue to determine that these grants are specific within the meaning of section 771(5A)(B) of the Act, and constitute a financial contribution as a direct transfer of funds under section 771(5)(D)(i) of the Act.

However, the benefits received under these programs either do not pass the "0.5 percent test" provided in CFR 351.524(b)(2), and they are allocated to the year of receipt, or they are less than 0.005 percent *ad valorem* during the POR, and thus are not measurable under our practice.<sup>118</sup> Accordingly, Commerce preliminarily finds that they provide no benefits during the POR.

### **D. Programs Preliminarily Determined Not to Be Used**

1. Small Low Profit Enterprise Income Tax Preferential Treatment
2. Promotion Funds for Coordinated Development of Foreign Trade and Economic Region
3. Brand Building Funds for Medium, Small and Micro-Sized Enterprises
4. Interest Discount Funds
5. Bonus for Foreign Trade
6. Foreign Trade Promotion Fund
7. Fund to Middle and Small Enterprise for Developing Markets
8. Bonus for the Company's Sports Brand in Exhibition
9. Provision of Pig Iron for Less-than-Adequate Remuneration
10. Provision of Metallurgical Coke for Less-than-Adequate Remuneration
11. Provision of Iron Ore for Less-than-Adequate Remuneration Patent Assistance Funds

---

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

<sup>115</sup> See *Soil Pipe Fittings Investigation Prelim* at 38-39, unchanged in *Soil Pipe Fittings Investigation Final*.

<sup>116</sup> See GOC IQR at 3-4.

<sup>117</sup> See *Photovoltaic Cells*; and *Magnola Metallurgy*, 508 F. 3d at 1353-56.

<sup>118</sup> See *Chlorinated Isocyanurates from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 2012, 79 FR 56560 (September 22, 2014), and accompanying IDM at Section B.1.

12. Party Construction Fund
13. Supporting Funds for Circulating Program
14. Government Awards for Brand Name Product in Shanxi Province
15. Financial Funds Introduction
16. Supporting Funds for Private Economy Development of SME
17. Funds for Energy Saving Technology Improvement Project in Smelting Section
18. Special Fund for Foreign Economic Development (on International Operation Capacity Enhancement)
19. Export Loans
20. Treasury Bond Loans
21. Preferential Loans for State-Owned Enterprises
22. Preferential Lending to CISPF Producers and Exporters Classified as “Honorable Enterprises”
23. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
24. Debt-to-Equity Swaps
25. Exemptions for State-Owned Enterprises (SOEs) from Distributing Dividends to the State
26. Loan and Interest Forgiveness for SOEs
27. Preferential Income Tax Program for High and New Technology Enterprises
28. Preferential Deduction of R&D Expenses for High and New Technology Enterprises
29. Income Tax Benefits for Domestically Owned Enterprises Engaging in Research and Development
30. Preferential Income Tax Policy for Enterprises in the Northeast Region
31. Reduction in Exemption from Fixed Assets Investment Orientation Regulatory Tax
32. Preferential Income Tax Subsidies for Foreign Invested Enterprises (FIEs) – Export Oriented FIEs
33. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment
34. VAT and Tariff Exemptions for Purchases of Fixed Assets under the Foreign Trade Development Fund
35. Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
36. Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
37. Provision of Land to SOEs for Less than Adequate Remuneration
38. The State Key Technology Fund
39. Foreign Trade Development Fund Grant 22. Export Assistance Grants
40. Subsidies for Development of Famous Export Brands and China World Top Brands
41. Grants to Loss-Making SOEs
42. Export Interest Subsidies
43. Grants for Energy Conservation and Emission Reduction
44. Grants for Retirement of Capacity
45. Grants for Relocating Production Facilities
46. Financial Support for Xuanshi Soil Pipe Project (Shanxi Xuanshi)
47. Hefei City Special Financial Support for Exporters: Loans (Wor-Biz)
48. Provision of Coking Coal for LTAR
49. Tax Incentives for Businesses in China (Shanghai) Pilot Free Trade Zone, and
50. VAT Refunds for FIEs on Purchases of Chinese-Made Equipment

**X. RECOMMENDATION**

We recommend that you approve the preliminary findings described above.

\_\_\_\_\_  
Agree

\_\_\_\_\_  
Disagree

10/16/2020

X



Signed by: JEFFREY KESSLER

\_\_\_\_\_  
Jeffrey I. Kessler  
Assistant Secretary  
for Enforcement and Compliance

APPENDIX

AFA Rate Calculation

	Program Name	AFA Rate	Source	Citation
1.	Policy Loans to Soil Pipe Fittings Industry	5.01%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Cast Iron Soil Pipe Fittings From the People’s Republic of China: Final Affirmative Countervailing Duty Determination</i> , 83 FR 32075 (July 11, 2018) ( <i>Soil Pipe Fittings Investigation Final</i> ).
2.	Export Loans			
3.	Treasury Bond Loans			
4.	Preferential Loans for State-Owned Enterprises			
5.	Preferential Lending to CISPF Producers and Exporters Classified as “Honorable Enterprises”			
6.	Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program			
7.	Debt-to-Equity Swaps	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
8.	Exemptions for SOEs from Distributing Dividends to the State	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding	Current Review

			– Assistance Fund	
9.	Loan and Interest Forgiveness for SOEs	2.32%	Highest non- <i>de minimis</i> Rate for Similar Program within Country	<i>Lightweight Thermal Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination, 73 FR 57323 (October 2, 2008).</i>
10.	Preferential Income Tax Program for High and New Technology Enterprises	25%	Income Tax Rate	<i>Certain Tool Chests and Cabinets From the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination, 82 FR 43331 (September 15, 2017).</i>
11.	Preferential Deduction of R&D Expenses for High and New Technology Enterprises			
12.	Income Tax Benefits for Domestically Owned Enterprises Engaging in Research and Development			
13.	Preferential Income Tax Policy for Enterprises in the Northeast Region			
14.	Reduction in Exemption from Fixed Assets Investment Orientation Regulatory Tax			
15.	Preferential Income Tax Subsidies for Foreign Invested Enterprises – Export Oriented FIEs			
16.	Small Low-Profit Enterprise Income Tax Preferential			
17.	Income Tax Credits for Domestically Owned Companies Purchasing			

	Domestically Produced Equipment			
18.	VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund	9.71%	Highest non- <i>de minimis</i> Rate for Similar Program within the Country	<i>New Pneumatic Off-the-Road Tires From the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review, 75 FR 64268 (October 19, 2010), unchanged in New Pneumatic Off-the-Road Tires From the People's Republic of China: Final Results of Countervailing Duty Administrative Review, 76 FR 23286 (April 26, 2011) (Off-the-Road Tires China).</i>
19.	Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries	1.07%	Highest non- <i>de minimis</i> rate for Similar Program within Country	<i>Forged Steel Fittings From the People's Republic of China: Final Affirmative Countervailing Duty Determination, 83 FR 50342 (October 5, 2018), and accompanying IDM at 5.</i>
20.	Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring	9.71%	Highest non- <i>de minimis</i> Rate for Similar Program within the Country	<i>Off-the-Road Tires China.</i>
21.	Provision of Land to SOEs for LTAR	2.15%	Highest non- <i>de minimis</i> rate for Identical Program within Country	<i>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 IDM at 13.</i>
22.	Provision of Pig Iron for LTAR	0.49%	Highest non- <i>de minimis</i> Rate for	<i>Soil Pipe Fittings Investigation Final.</i>

			Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	
23.	Provision of Ferrous Scrap for LTAR	4.45%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz and Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>
24.	Provision of Electricity for LTAR	3.44%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>
25.	The State Key Technology Fund	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
26.	Foreign Trade Development Fund Grant	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding –	Current Review

			Assistance Fund	
27.	Export Assistance Grants	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
28.	Subsidies for Development of Famous Export Brands and China World Top Brands	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
29.	Grants to Loss-Making SOEs	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
30.	Export Interest Subsidies	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
31.	Grants for Energy Conservation and Emission Reduction	0.09%	Highest non- <i>de minimis</i> Rate for Similar	Current Review

			Program from within Segment of Proceeding – Assistance Fund	
32.	Grants for Retirement of Capacity	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
33.	Grants for Relocating Production Facilities	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
34.	Patent Assistance Funds	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
35.	Brand Building Funds for Medium, Small and Micro-sized Enterprises, 2016	0.02%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>

36.	Party Construction Fund for the year 2015	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
37.	Special Fund for Foreign Economic Development (on International Operation Capacity Enhancement) the First Tranche of the year 2015	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
38.	Special Fund for Foreign Economic Development (on International Operation Capacity Enhancement), the Second Tranche of the year 2015	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
39.	Promotion Funds for Coordinated Development of Foreign Trade and Economic Region	0.09%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>
40.	Supporting Funds for Circulating Program	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within	Current Review

			Segment of Proceeding – Assistance Fund	
41.	Government Awards for Brand Name Product in Shanxi Province	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
42.	Financial Funds Introduction	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
43.	Supporting Funds for Private Economy Development of SME	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
44.	Funds for Energy Saving Technology Improvement Project in Smelting Section	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review

45.	Aid for Middle and Small Enterprise for Developing International Market	0.09%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
46.	Bonus to Middle and Small Enterprise	0.04%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
47.	Bonus for Foreign Trade	0.04%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
48.	Assistance on Credit Insurance	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
49.	Assistance Fund	0.09%	Highest non- <i>de minimis</i> Rate for Identical Program from within Segment of Proceeding	Current Review

50.	Foreign Trade Promotion Fund in 2016	0.01%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
51.	Fund to Middle and Small Enterprise for Developing Markets	0.01%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
52.	Bonus for the Company's Sports Brand in Exhibition	0.04%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Wor-Biz)	<i>Soil Pipe Fittings Investigation Final.</i>
53.	Certificate of Shanxi Brand Name Product	0.09%	Highest non- <i>de minimis</i> Rate for Similar Program from within Segment of Proceeding – Assistance Fund	Current Review
54.	Interest Discount Funds	0.01%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated –	<i>Soil Pipe Fittings Investigation Final.</i>

			Shanxi Xuanshi)	
55.	Provision of Iron Ore for LTAR	11.99%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>
56.	Provision of Metallurgical Coke for LTAR	9.86%	Highest non- <i>de minimis</i> Rate for Identical Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi)	<i>Soil Pipe Fittings Investigation Final.</i>
57.	Provision of Coking Coal for LTAR	11.99%	Highest non- <i>de minimis</i> Rate for Similar Program from any Segment of Proceeding (Calculated – Shanxi Xuanshi – Iron Ore)	<i>Soil Pipe Fittings Investigation Final.</i>
58.	VAT Refunds for Foreign Invested Enterprises (FIEs) on Purchases of Chinese-Made Equipment	9.71%	Highest non- <i>de minimis</i> rate for Similar Program within the Country	<i>Off-the-Road Tires China.</i>

59.	Tax Incentives for Businesses in China (Shanghai) Pilot Free Trade Zone <sup>119</sup>	See footnote below.	Income Tax Rate	
Total <i>ad valorem</i> Rate		109.32%		

---

<sup>119</sup> The AFA rate for this program is included as part of the AFA rate for income tax programs, which is 25 percent.